

Servicing, Processing & Technology

Freeman & Co. LLC

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Indices at August 31, 2009

DJIA	9,496
NASDAQ	2,009
S&P 500	1,021
FTSE 100	4,909
10-yr US T-Bond	3.409%
USD per GBP	\$1.62
USD per Euro	\$1.43

Happy to Have No Balance Sheet

There are times when not having a balance sheet can be a good thing. Many Servicing, Processing & Technology (SP&T) companies have performed well during the recent financial turmoil by relying on servicing models linked to different types of client or transaction volumes. Most, but not all of these firms, do not rely on a leveraged business model, making them ideal for surviving the credit storm.

We believe that Servicing, Processing & Technology companies will benefit from four key trends developing out of the Credit Crisis:

- **Outsourcing:** With operating margins under pressure for financial companies, outsourcing can be a key way to lower costs and improve margins. SP&T firms in the outsourcing business that reach scale can have lower average costs per unit than their customers, who try to do it in-house. We expect this need for cost reduction and margin improvement to be a positive boost to SP&T outsourcers over the next 3 years. Also, Madoff gave fund administrators a boost, as now investors will not consider an alternative manager that self-administers its funds
- **Risk Management Focus:** Lots of newly perceived or understood risks in the world increases the need for risk management services for companies, Boards and Trustees. Firms such as RiskMetrics, BlackRock Solutions and others are benefiting from this trend. Again, Madoff has been a boost for risk managers as clients seek due diligence and transparency solutions
- **Innovation:** New risks yield new perspectives and new products. While product "innovation" in sub-prime CDOs and in credit default swaps may have created the crisis, new products are already being launched: more capital preservation funds for retail investors and "alternative" alternative funds in life settlement and intellectual property, are some examples. Each new product and its growth can provide 5 to 50 bps of fees to the SP&T firms that can provide the infrastructure support
- **Consolidation:** Some SP&T firms are under pressure, primarily those with AUM-based revenue. Fund administration, custody and some risk management business models based on AUM may struggle with operating margins and scale due to the 20-40% drop in some asset classes. Cost cutting alone may not be enough if AUM-based revenue is down 30%. Unless there is a sustained market recovery, we anticipate an increase in M&A as a result

As usual, this SP&T report covers three main areas:

1. Trends in the securities and asset management sectors that SP&T firms service
2. Comparison of the 5 SP&T sub-sectors: growth, margins, revenue, etc.
3. Analysis of each of the 5 SP&T sectors: financials, valuation, key trends, etc.

Eric Weber, CFA	Managing Director	+ 1 (212) 830-6162	eweber@freeman-co.com
Gagan Sawhney, CFA	Managing Director	+ 1 (212) 830-6165	gsawhney@freeman-co.com
Gavin Parks	Associate	+ 1 (212) 830-6163	gparks@freeman-co.com
Yalda Zargari	Associate	+ 1 (212) 830-6174	yzargari@freeman-co.com
Christopher Pedone	Analyst	+ 1 (212) 830-6166	cpedone@freeman-co.com
Arastoo Tavakoli	Analyst	+ 1 (212) 830-6172	atavakoli@freeman-co.com

Current Asset Management Industry Trends

Impact on Servicing, Processing & Technology

A large portion of servicing and processing companies' revenue is derived from asset-based fees. For those firms that rely on AUM-based fees (compared to subscription or transaction-related fees), profit margins are under stress in most cases (see p. 7). Specifically, SP&T sectors with AUM pricing that have higher fixed costs and lower variable costs (such as Processing & Custody) are less able to absorb the dramatic AUM decline and maintain margins. For example, Processing & Custody saw pre-tax margins for LTM 6/30/09 fall to 13% from 19% in the prior year period. Sectors such as Data, Information & Software that rely much more on transaction or subscription fee business models were able to increase pre-tax margins.

Impact on Pre-tax Margins (LTM 6/09 vs. LTM 6/08)

- Ratings & Advice: up 1% from 33% to 34%
- Data, Information & Software: up 1% from 18% to 19%
- Fund Admin & Risk Mgmt: down 1% from 22% to 21%
- Distribution/Intermediation: down 3% from 36% to 33%
- Processing & Custody: down 6% from 19% to 13%

2008's Decline in US and European Mutual Funds

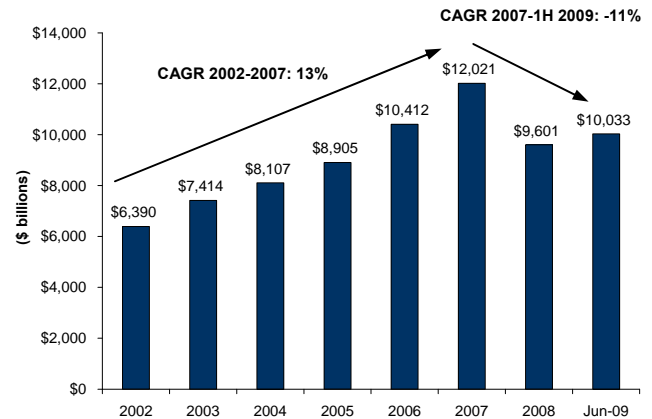
The US Mutual Fund Industry had approximately \$10 trillion (€7.2 trillion) in total AUM through June 2009, a decline of 24% from year-end 2007. Prior to 2008, growth had averaged 13% per annum for the past 5 years. European investment funds had approximately \$8.4 trillion (€6.0 trillion) in total AUM through 1Q09, a decline of 20% from year-end 2007 and had averaged 13% growth from 2003-2007.

Changing Asset Allocations

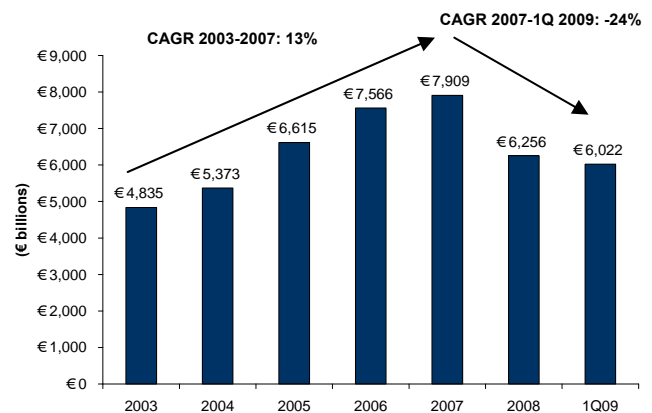
In 2007, the mix of assets between equity and fixed income remained relatively consistent with about 54% and 14% of total mutual fund AUM, respectively. European investment funds showed similar asset allocation patterns as in the US.

In 2008 and the early part of 2009, assets allocated to money market funds increased to 32% in 1Q09 from 26% at the end of 2007 at the expense of equity funds as concerns about turmoil in the credit and equity markets caused investors to scale back their risk exposure.

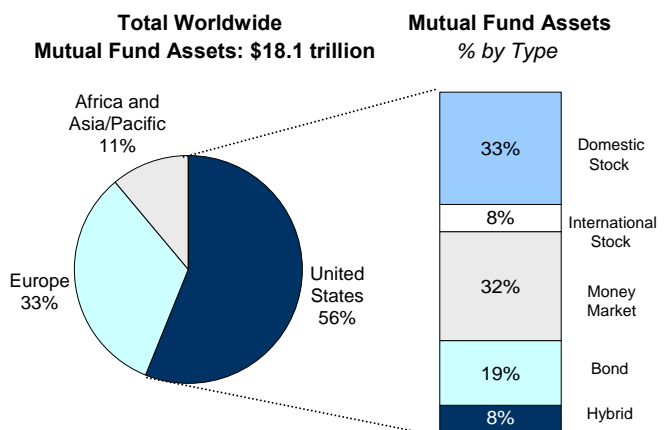
US Mutual Fund AUM



European Investment Fund AUM



Mutual Fund Market Size (1)



(1) As of 3/31/09

Source: ICI, CRSP University of Chicago, Strategic Insight Simfund, EFAMA

Challenging Times for Alternative Asset Management

Impact on Servicing & Processing Sectors

Alternative managers had been growing at rates of 15-20% per year and the growth of managers and assets had demanded an increasing variety of products and services from the SP&T sectors. However, hedge fund and HFOF assets have dropped \$437 billion or 16%, from \$1.87 trillion to \$1.43 trillion. This significant AUM drop directly impacts SP&T service providers:

- Fund Admin: at 7 bps, industry revenue drop of \$306 million
- Custody: at 3 bps, industry revenue drop of \$131 million

The number of hedge funds is estimated to have fallen by about 930, or 12%, from a peak of 7,634. Given the widespread losses, significant highwater marks and lack of new allocations to the asset class, we should expect a total contraction of 20-30% in the number of funds. This is leading to less Bloomberg terminals, less risk management software licenses, fewer fancy capital intro parties at the Breakers, etc.

All the SP&T sectors will be impacted as the surviving alternative asset managers become less willing to pay for non-core services and more willing to consolidate service providers. We estimate the net impact to the SP&T sectors from the Credit Crisis to be:

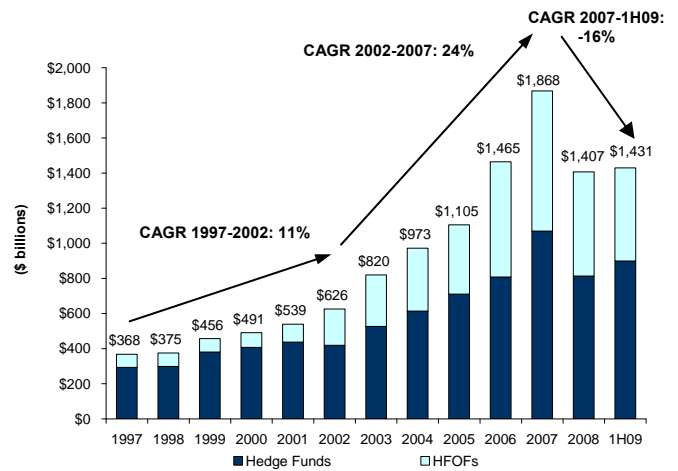
- drop in annual revenue of \$750 million to \$1 billion, or
- about 17-22 bps on the fall of \$437 billion in AUM.

The Madoff Effect

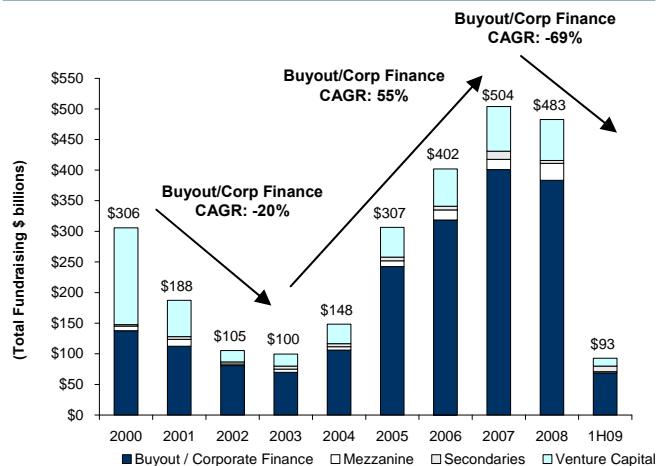
The Madoff fraud is having a tremendous impact on the alternative asset industry. Beyond the unbelievable size and scope of the \$60 billion scam, Madoff has changed:

- *Immediate revenue loss that downstreams to service providers:* firms that sponsored feeder funds made fees estimated at 150 bps, including performance fees, on \$20 billion AUM, for total annual revenue of \$300 million
- *Immediate insistence on 3rd party admin:* in a rare boom for the SP&T sectors, self-administration became a four-letter word, boosting business for Fund Administrators
- *Risk management:* a new focal point, regardless of how you define it, will yield additional products and revenues for the surviving SP&T vendors over the next 3-5 years
- *“Institutionalization”:* investors will expect hedge funds and HFOFs to meet best-in-class standards; brand names and size and scale will matter, putting smaller firms at a competitive disadvantage

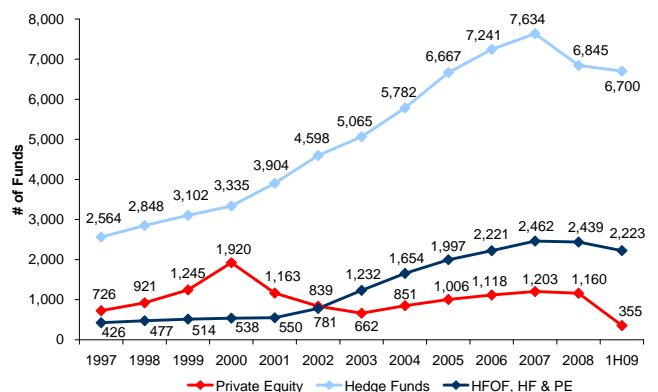
Hedge Fund and HFOF AUM



Private Equity Fundraising



of Funds: Private Equity, Hedge Fund, HFOF (1)



(1) PE funds raised during year; cumulative number of HF and HFOF in existence

Source: HFR, Russell Investments, Thomson

Increasing Trading Volumes

Impact on Servicing & Processing Sectors

Increased trading activity has been a large driver of revenue growth for servicing and processing companies and a cause for greater demand for other support products such as data, software and analytics.

Rise in Trading Volume

Annual US equity trading volume (NYSE, NASDAQ and BATS combined) was \$312.9 billion in 2008, a significant 64% increase from 2007. Over the longer term, from 2003 to 2008, growth was 20% annualized. This rise in volume has been accompanied by significant fee compression as the bulk of trading has become electronic and driven by high frequency trading activities, which are low commission and low fee.

Major Growth in Options Volume

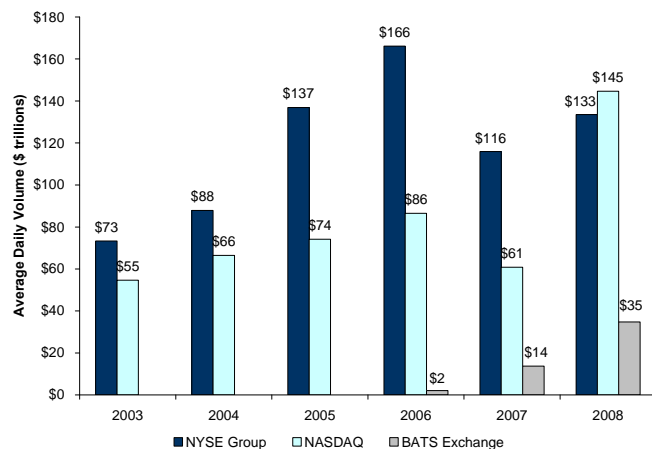
The volatile markets of the 2nd half of 2008 and early 2009 have led to increased interest in trading of derivative products such as options. Historical growth has been driven by high-frequency hedge fund trading and lower execution costs. Current market trends have forced increased institutional interest in market risk management through options buying. After growing 17% from 1998 to 2002, annual single-equity options trading volume jumped from 2003 to 2008, managing a CAGR of 13% in those years, and reaching 10 billion contracts in 1Q09 on an LTM basis. However, growth in LTM volume from 4Q08 to 1Q09 was 2.5%, or 10.4% annualized, a drop from the 14.2% growth in 2008. To date, there has not been drastic compression on commissions and options-related servicing fees.

Continued Growth of OTC Derivatives

The over-the-counter (OTC) derivatives market, which includes forwards, swaps and certain options, has grown enormously over the last 10 years. \$6.6 billion contracts were traded in the US in 1Q09 LTM. Between 2005 and 2008, the growth in number of contracts accelerated at an average of 20% per annum, dropping off slightly in 1Q09 by -7%, or a -25% annualized rate.

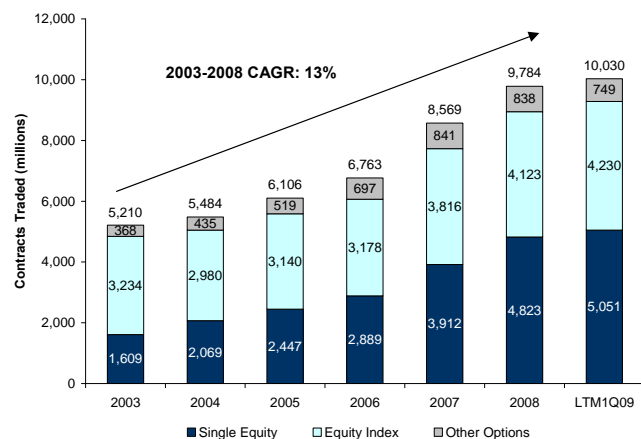
With the tremendous growth in OTC derivatives have come heavy strains on infrastructure to model, rate, trade, process, clear, research and risk manage these complex instruments, which presents numerous opportunities for large servicing firms as well as new entrants with “leap frog” technology.

Annual US Equity Trading Volume (1)

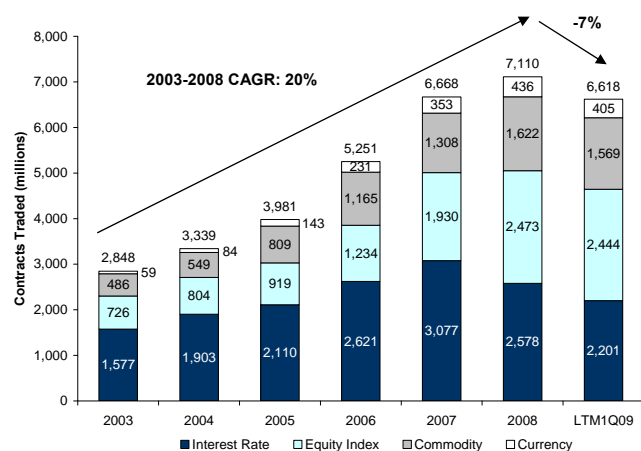


(1) On exchange only

Options Contracts Traded



Futures Contracts Traded



Source: BIS, ICI, OCC

Recent Developments

New Products: Futures Trend Indicators

Investors continue to have strong demand for diversified, alternative products. Some futures market “Trend Indicators” (TI) have been among the more successful products, including the Diversified TI (DTI) and the Commodity TI (CTI). The TIs involve various non-correlated sectors (hard and soft commodities, interest rate and financial futures), which help diminish volatility, and are selected based on fundamental characteristics and liquidity. We expect products such as Trend Indicators and other alternative products to have strong demand as investors continue to seek risk diversifiers, particularly any that are liquid and transparent.

Mortgage-Related Services

Mortgage-related servicers saw a very sharp up-turn during the housing bubble, but the industry has had consecutive declines in origination and \$-volume of securitization since 2005. Residential mortgage origination has fallen to \$1.5 trillion in 2008 from \$3.0 trillion in 2005, a drop of 20% CAGR.

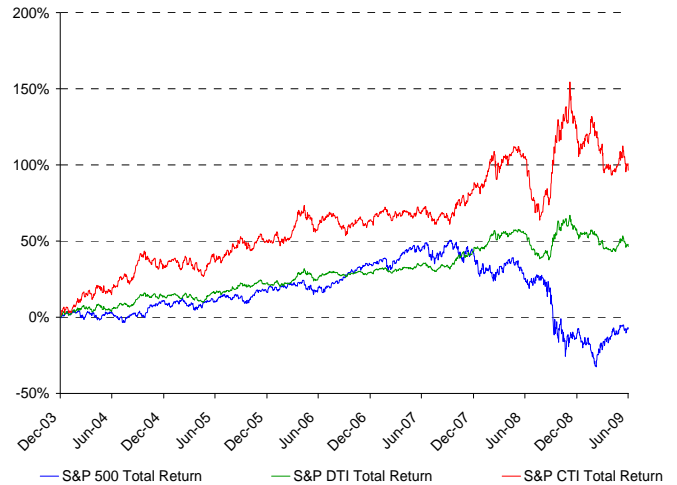
As a result, a wide range of software and systems providers, outsourced origination service providers and appraisal and title service providers have seen a sharp decline in volumes, with many going out of business. However, an interesting by-product of this credit cycle is the increased need for SP&T including: valuation services, compliance and fraud detection services and primary and special servicing.

Credit Default Swaps

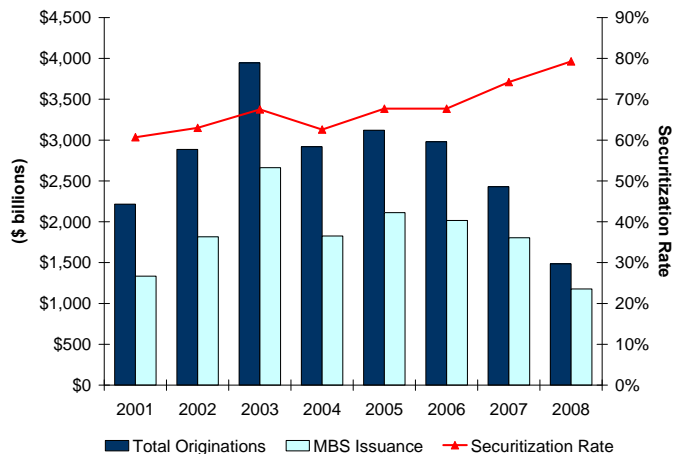
Although CDS products have been widely used to manage credit risk, Lehman Brothers’ bankruptcy and AIG’s bail-out have increased concerns over counterparty risk of CDS products. The current CDS issues have increased regulator demand for the establishment of central clearing houses to mitigate counter-party risk, particularly given the 108% CAGR through 2007 to \$57.9 trillion in notional exposure.

With the spike in risk and market turmoil, the CDS market contracted by 27.7% in 2008 to \$41.9 trillion notional in 2008. We expect further contraction of 15-25% by year end 2009. Even with this contraction, the centralization of clearing will standardize products and the market with a resulting growth in SP&T services for market participants: data and information on volume and other trends, risk management tools and other services.

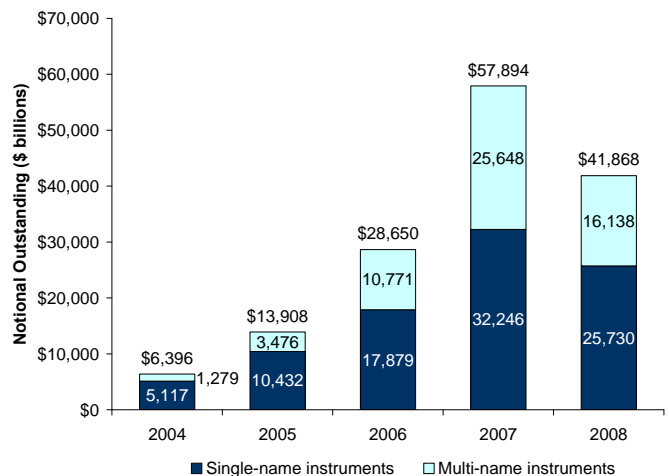
S&P Diversified Trend Indicator Performance



Residential Mortgage Origination



Credit Default Swaps (Notional Amt Outstanding)



Source: ICI, BIS, ISDA, Thomson Financial

Sector Comparison

Sector Evaluations

SP&T companies have three major revenue models: (1) AUM driven, as in the case of Custody or Fund Admin, (2) subscription-based, often used by Data, Info & Software and Risk Management businesses, and (3) transaction or flow-based, often used by Processing, Distribution and Ratings & Advice businesses.

Of these three revenue models, we have seen the transaction based revenue models of Ratings & Advice companies impacted the most (down 11%) as certain sectors have seen dramatic plunges in volume (e.g. ratings for structured products, CLOs, ABS, etc). AUM-based revenue models have been impacted to a lesser extent (Custody down 8%). Subscription-based business models have suffered the least (down about 6%), but are still experiencing pressure as clients drop the number of users or reduce the number of vendors.

Market Impact on Average Market Cap by Sector

Ratings & Advice	down 28% from \$5.4 to \$3.9 billion
Distribution & Intermediation	down 19% from \$8.1 to \$6.6 billion
Fund Admin & Risk Mgmt	up 2% from \$7.6 to \$7.7 billion
Processing & Custody	down 30% from \$40.0 to \$28.2 billion
Data, Info & Software	down 3% from \$5.9 to \$5.7 billion

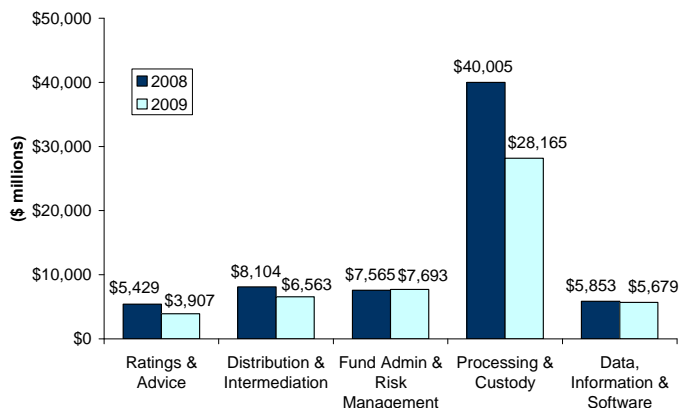
However, the impact on average revenue for SP&T companies in each sector has been materially less:

Market Impact on Average Revenue by Sector

Ratings & Advice	down 11% from \$1.1 to \$1.0 billion
Distribution & Intermediation	down 4% from \$2.6 to \$2.5 billion
Fund Admin & Risk Mgmt	up 23% from \$222 to \$274 million
Processing & Custody	down 8% from \$6.3 to \$5.8 billion
Data, Info & Software	down 6% from \$2.3 to \$2.2 billion

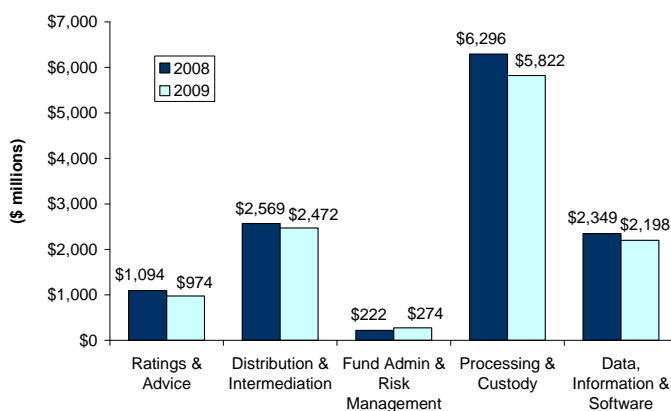
Note: the data is merely representative of the companies in the report and does not measure the full size of the industry or sector in terms of revenue or market capitalization.

Average Market Cap by Sector (1,2)



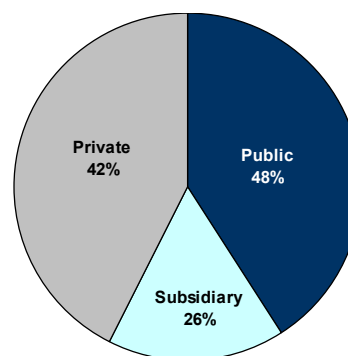
- 1) 2008 Market Cap as of 8/31/08
- 2) 2009 Market Cap as of 8/31/09

Average Revenue by Sector (1,2,3,4)



- 1) 2008 Revenue is LTM as of 6/30/08
- 2) 2009 Revenue is LTM as of 6/30/09
- 3) Thomson Reuters Financial is LTM as of March 31
- 4) Revenue numbers represent servicing & processing revenue only

Selected Key Players – Company Type



Source: Company Financials, Bloomberg, Freeman & Co. Research

Sector Comparison

Stock Price Performance

Not surprisingly, stock prices of Servicing, Processing & Technology companies have taken a severe hit in the past year along with the broad market indices, but many have recovered nicely since March. Among the sectors of SP&T, Processing & Custody firms have seen the biggest decline, down 49% since last September, compared to a 20% drop for the S&P 500. This is largely due to being subsidiaries of universal banking companies. Data, Information & Software companies have fared the best, falling only 5% over the past year. The sticky nature of these firm's subscription-based fees has lessened the impact of the recession on their share prices, even as their customers dwindle in number and in size. The remaining three sectors within SP&T all fell very similarly to the S&P 500, with drops between 11% and 23%.

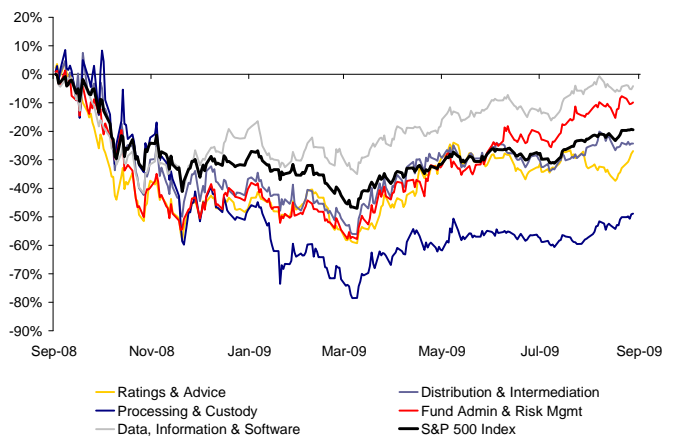
Market Cap-to-Revenue Multiples

Fund Administration & Risk Management companies are trading at the healthiest price-to-revenue multiples of the five SP&T sectors, although the average multiple of the selected key players in this study is down 31%, from 6.1x as of August 31, 2008 to 4.2x as of August 31, 2009. Despite the turmoil surrounding the Ratings & Advice sector, they are trading at 3.1x revenue (down 26%), the second highest average level within SP&T. The Data, Info & Software and Distribution & Intermediation sectors are both trading in the 2.5x-2.7x range, multiples that are down 19% and 23%, respectively, from a year ago. Processing & Custody multiples (at 1.6x as of August 31, 2009) are held down by the balance sheets of the selected players' parent companies.

Pre-Tax Margins

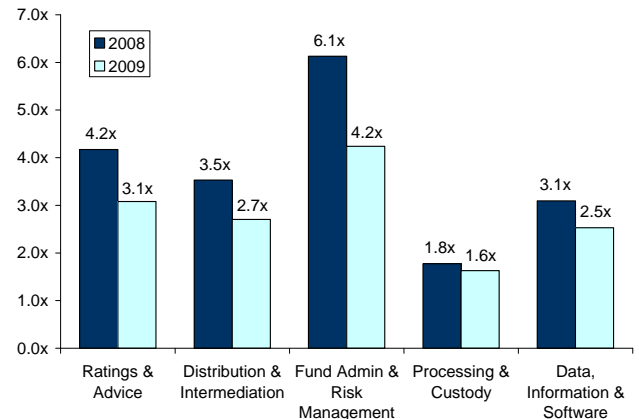
Rating & Advice companies had a strong average pre-tax margin of 34% for LTM 1H09, up slightly from 33% in LTM 1H08, reflecting the highly variable cost structure of these firms. Distribution & Intermediation firms' average margins decreased from 36% to 33%, and ranged from 13% for Ameriprise to 63% for optionsXpress (figures exclude E*Trade's LTM 1H09 loss of \$1.5 billion). Selected Fund Admin & Risk Management pre-tax margins held steady at an average of 21%, while Processing & Custody firms' margins decreased from 19% to 13%, due to the high fixed cost nature of their business models and unfavorable results at their parent companies. Data, Information & Software company pre-tax margins rose slightly from 18% to 19%, reflective of their stable subscription revenue base and variable cost structure.

Sector One-Year Stock Price Returns (1)



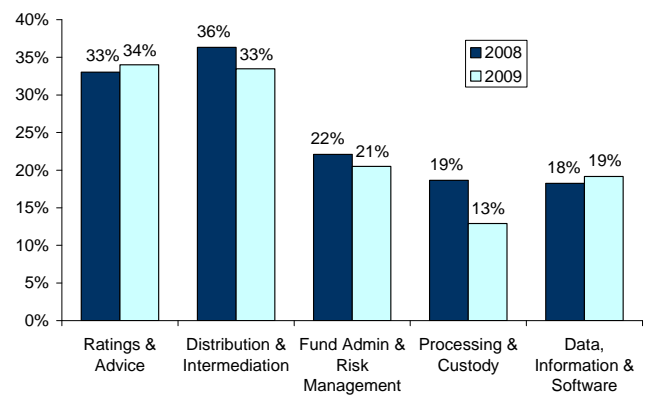
(1) Stock Price as of August 31, 2009

Average Market Cap / Revenue Multiples (1,2,3)



- 1) 2008 Market Cap as of 8/31/08
- 2) 2009 Market Cap as of 8/31/09
- 3) Revenue numbers represent parent company revenues

Average Pre-Tax Margins (1,2,3)



- 1) 2008 Revenue and Pre-Tax are LTM as of 6/30/08
- 2) 2009 Revenue and Pre-Tax are LTM as of 6/30/09
- 3) Pre-tax numbers represent parent company figures

Source: Company Financials, Bloomberg, Freeman & Co. Research

Ratings & Advice Companies

Description

Ratings & Advice companies are the firms that collect, analyze, benchmark and distribute financial information on the companies and investment products available to retail and institutional investors. Companies in this sector depend on the steady issuance of new securities that require ratings and research products as well as a demand for investors to understand and invest in a greater variety and complexity of financial products.

Key Players: Public & Private

(\$ millions)

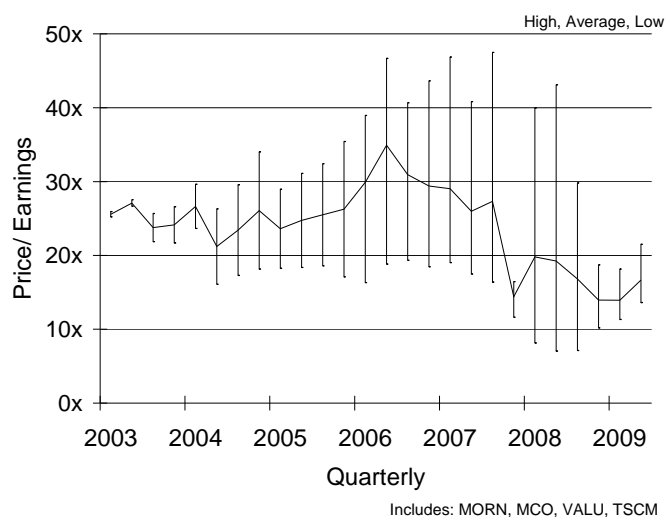
Public Company/ (Subsidiary)	Market Cap as of 08/31/09	LTM Revenue ⁽¹⁾	Full-Time Employees	1 Yr Stock % Chg ⁽²⁾
Institutional				
Moody's	\$6,437	\$1,697	3,900	-31.8%
McGraw Hill (S&P)	10,580 ⁽³⁾	2,558	21,649 ⁽³⁾	-18.5%
Retail				
Morningstar	2,144	481	2,370	-32.2%
TheStreet.com	78	67	310	-62.8%
Value Line	294	69	204	-19.7%

Private Companies	Focus
A.M. Best Company, Inc.	Rating Agency
Dominion Bond Rating Service Ltd.	Rating Agency
Egan Jones Ratings Co.	Rating Agency
Promontory Interfinancial Network	Advice
Gimme Credit	Advice

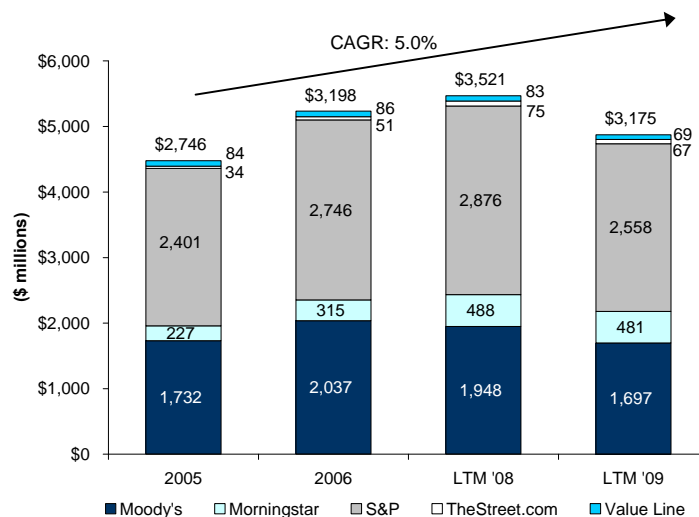
Key Trends

- The continued closure of securitization markets for new issuances took away one of the biggest sources of revenues for the rating companies. In addition, this sector faces significant threat of litigation and increased regulation
- The impact of market closure on research focused companies in the credit space was even greater. The decline in trading volume has a direct relationship to the demand for research
- As we work through the credit crisis and readjust valuations through 2009, we see attractive growth in rating and research services. There is a significant amount of corporate debt that is expected to mature during 2011-2014, creating significant rating service needs. The securitization market will eventually open. The key profitability concern for the ratings sector is the impact of regulations on the current revenue structure and any litigation claims
- Similarly, in the research space, we see significant demand for services as the risk appetite for individuals and institutions increase from current low levels. Further, as a result of disruptions in the market space, most large investment banks have made significant cutbacks in their research efforts. As markets turn, a number of research oriented services and boutiques can fill the gap

P/E Multiple Spreads



Revenue Growth of Key Players (including M&A)



(1) LTM revenue as of 6/30/09; LTM '08 as of 6/30/08

(2) 1 Year Stock Change as of August 31, 2009

(3) Parent company figures

Source: Company Financials, Freeman & Co. Research, OCC

Ratings & Advice Companies

Selected M&A Activity

- Since our last review in the fall of 2008, Ratings & Advice companies have seen little M&A activity of either significant size / scale or strategic value. The following are some historical trends that will continue to be prevalent in future cycles:
 - *Creating a Global Product:* Fitch Group, Moody's and S&P have all executed acquisitions to expand their product base both domestically and abroad. The Fitch Group's acquisition of Korea Rating highlights the specific desire of these institutionally-focused firms to develop ratings solutions globally and expand their product base
 - *Data Access Consolidation:* S&P's acquisition of Capital IQ and Morningstar's acquisition of Ibbotson Associates show how these firms are leveraging their current market penetration and bolting-on additional niche products backed by comprehensive and proprietary databases

Close Date	Target	Acquirer	Sellers	Deal Type	Deal Value
Fimalac					
Pending	Fitch Group, Inc.	Hearst Corporation	Fimalac SA	Strategic Acquisition	\$426.2
Apr-03-2007	Korea Ratings	Fitch Group, Inc.	Hanil Cement Co. Ltd.	Strategic Acquisition	\$57.2
Jul-31-2006	Credit Derivatives Analytics Business	Fitch Group, Inc.	Reoch Credit Limited	Strategic Acquisition	-
The McGraw-Hill Companies, Inc.					
Feb-19-2008	MacroMarkets LLC, S&P/Case-Shiller Home Price Indices	S&P	MacroMarkets LLC	Strategic Acquisition	-
Jan-17-2008	Maalot-The Israel Securities Rating Company Ltd.	S&P	Israeli financial services consortium	Strategic Acquisition	-
Sep-04-2007	IMAKE Consulting, Inc. and ABSXchange LLC	S&P		Strategic Acquisition	-
Mar-16-2007	S&P, Mutual Fund Data Business	Morningstar Inc.	S&P	Sale to Strategic Acquirer	\$55.0
Feb-08-2007	GS Commodity Index & Two Equity Index Families	S&P	Goldman Sachs Group Inc.	Strategic Acquisition	-
Jul-24-2005	S&P Securities, Inc.	BNY ConvergeX Execution Solutions,	S&P	Sale to Strategic Acquirer	-
Apr-25-2005	CRISIL Ltd.	S&P International		Strategic Acquisition	-
Apr-01-2005	Vista Research LLC	S&P	Ideal Associates; Valley Green Capital	Strategic Acquisition	-
Feb-21-2005	ASSIRT Pty Ltd.	S&P	St. George Bank Ltd.	Strategic Acquisition	-
Sep-17-2004	Capital IQ, Inc.	S&P	Consortium	Strategic Acquisition	\$200.0
Moody's Corp.					
Sep-15-2008	Ferret International	Moody's		Strategic Acquisition	\$223.7
Jan-28-2008	BQuotes	Moody's		Strategic Acquisition	-
Jan-08-2008	Financial Projections Limited	Moody's Analytics		Strategic Acquisition	-
Jan-07-2008	Midroog Ltd.	Moody's Investors Service, Inc.		Strategic Acquisition	-
Jun-14-2007	CA-Ratings	Moody's		Strategic Acquisition	-
Jan-18-2007	PT Kasnic Credit Rating	Moody's Investors Service, Inc.	PT HT Capital	Strategic Acquisition	-
Dec-18-2006	Wall Street Analytics, Inc.	Moody's		Strategic Acquisition	-
Sep-21-2006	China Chengxin International Rating Co. Ltd.	Moody's	China Chengxin Credit Management Co.	Strategic Acquisition	-
Jan-23-2006	CRA Rating Agency, a.s	Moody's Investors Service Ltd.		Strategic Acquisition	-
Jun-07-2004	Interfax Rating Agency	Moody's Investors Service, Inc.	Interfax Information Services Group	Strategic Acquisition	-
Morningstar Inc.					
Dec-04-2008	10-K Wizard Technology	Morningstar		Strategic Acquisition	\$11.5
Oct-02-2008	Fundamental Data Limited	Morningstar		Strategic Acquisition	\$19.4
Jan-09-2008	Ipreo LLC, Hemscoff Businesses	Morningstar	Ipreo LLC	Strategic Acquisition	\$51.6
Sep-25-2007	InvestorWeb Pro	Morningstar Research Pty Ltd.	IWL Ltd.	Strategic Acquisition	-
Mar-16-2007	S&P, Mutual Fund Data Business	Morningstar	S&P	Strategic Acquisition	\$55.0
Aug-01-2006	InvestorForce, Inc., Altvest Database Division	Morningstar	InvestorForce, Inc.	Strategic Acquisition	\$10.0
Jul-25-2006	Aspect Huntley Pty Limited	Morningstar		Strategic Acquisition	\$22.3
Mar-01-2006	Ibbotson Associates	Morningstar		Strategic Acquisition	\$83.0
Jan-07-2005	VARDS	Morningstar	Finetre Corporation	Strategic Acquisition	\$8.2
Jul-02-2003	mPower.com, Inc.	Morningstar	Consortium	Strategic Acquisition	-
Nov-16-2001	Gomez, Inc.	Consortium		Strategic Acquisition	\$3.5
TheStreet.com, Inc.					
Apr-24-2008	DebtFolio, Inc.	The Street.com, Inc.		Strategic Acquisition	\$1.2
Nov-15-2007	The Street.com, Inc.	Technology Crossover Ventures		PE Investment	\$55.0
Nov-01-2007	Bankers Financial Products Corporation	The Street.com, Inc.		Strategic Acquisition	\$29.8
Aug-02-2007	Promotions.com	The Street.com, Inc.		Strategic Acquisition	\$19.6
Apr-25-2007	Stockpickr, LLC	The Street.com, Inc.		Strategic Acquisition	-
Aug-07-2006	Weiss Ratings	The Street.com, Inc.	Weiss Group, Inc.	Strategic Acquisition	-

Sources: Freeman & Co. Research, Capital IQ

Distribution & Intermediation

Description

Distribution & Intermediation firms provide access points for retail investors or their advisors to invest in mutual funds, ETFs, money market funds and a variety of other asset management products. In many cases this function is provided by retail and online brokerages which distribute investment products and offer trading services. Many of the firms offer services through three separate channels: retail, institutional and financial advisors/intermediaries.

Key Players: Public & Private

(\$ millions)

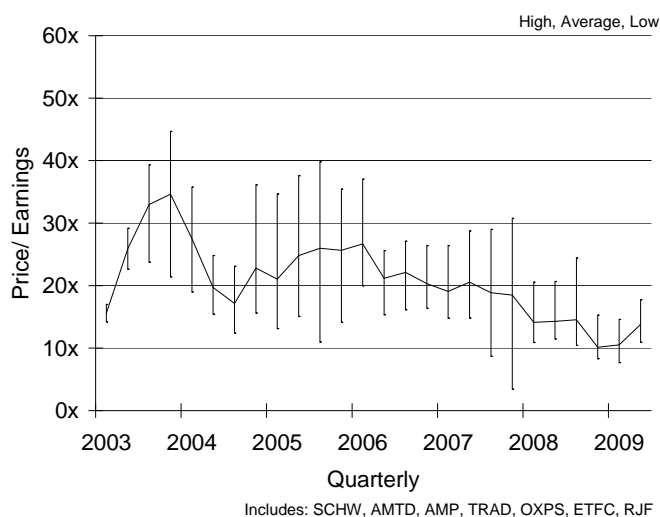
Distribution & Intermediation				
Public Company/ (Subsidiary)	Market Cap as of 08/31/09	LTM Revenue ⁽¹⁾	Full-Time Employees	1 Yr Stock % Chg ⁽²⁾
Ameriprise Financial	\$7,658	\$5,633	11,093	-31.3%
Charles Schwab	20,965	4,731	12,400	-23.6%
E*Trade	1,966	1,629	3,178	-45.0%
optionsXpress	961	235	305	-26.6%
Raymond James	2,809	2,572	3,500	-24.5%
TD Ameritrade	11,281	2,351	4,660	-5.8%
TradeStation Group	300	154	363	-28.6%

Private Companies or Subsidiaries	Focus
Placemark Investments	Distribution & Intermediation

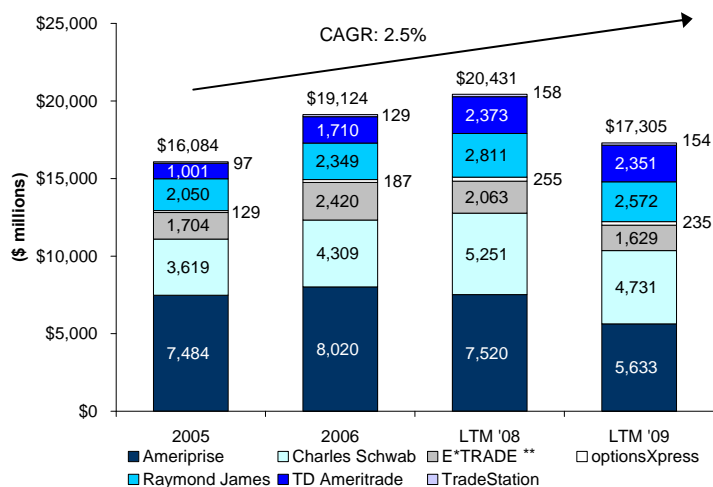
Key Trends

- Retail volumes and AUM are key revenue drivers for this sector. The decline in equity markets in the second half of 2008 and the resulting loss of faith in equity investing among retail investors will have a major impact on the revenues of this sector, which is down 15% at June 30, 2009
- When the dot-com bubble burst, it took retail investors 2-4 years to recover their confidence in the equity markets and start investing again. The market decline of 2008 will have a similar, if not greater, impact on retail equity investing activity. We believe that retail equity volumes will remain well below their 2007 peak for the next 2-3 years. Growth for companies in this sector would therefore come from product expansion and consolidation among the participants
- Increased volatility in the equity markets has helped some sub-sectors in this industry. Options trading volumes saw a sharp uptick. Similarly, among the investor groups, active traders increased their share of volumes. We saw industry participants acquire options trading capabilities as well as enhance their product offerings to better service the active traders
- As industry participants look for growth opportunities, forex and commodity trading look like interesting product expansion opportunities. Similarly market coverage expansion to include trading in international equities – especially emerging market equities – will be a key trend

P/E Multiple Spreads



Revenue Growth of Key Players (including M&A)



Source: Company Financials, Freeman & Co. Research

Distribution & Intermediation

Selected M&A Activity

- TD Ameritrade acquired thinkorswim in a cash and stock deal valued at approximately \$606 million as of January 7, 2009 which includes \$225 million in cash and the issuance of approximately 28 million shares
- By acquiring thinkorswim, TD Ameritrade extends its market share leadership into retail options trading:
 - TD Ameritrade is the current industry leader in the number of equity trades placed each day, and thinkorswim currently leads the industry in retail options trades placed each day
- Many distributors of auction rate preferred (ARP) securities that were not underwriters of ARPs have not been as willing to settle claims of wrongdoing or buy back millions of dollars of these securities as the investment banks that underwrote the ARPs. Schwab has been quite vocal in their fight with New York regulators, for example

Close Date	Target	Acquirer	Sellers	Deal Type	Deal Value
Charles Schwab Corp.					
Dec-13-2007	Etelligent Consulting, Inc.	Schwab Performance Technologies			-
Jul-01-2007	U.S. Trust Corporation	Bank of America Corporation	Charles Schwab Corp.	Divestiture	\$3,300.0
May-17-2007	Xign Corporation	JPMorgan Chase Treasury Services	Consortium	Divestiture	-
Mar-30-2007	The 401(k) Company	Charles Schwab Corp.	Nationwide Financial Services, Inc.	Strategic Acquisition	\$115.0
Jan-01-2007	Global Real Analytics, LLC	Charles Schwab Investment		Strategic Acquisition	-
Nov-30-2006	PostX Corporation	IronPort Systems, Inc.	Alloy Ventures, Inc.; Charles Schwab	Divestiture	-
Sep-11-2006	Active Decisions, Inc.	Knova Software, Inc.	Consortium	Divestiture	\$0.4
Dec-06-2005	Quris, Inc.	Merkle, Inc.	Charles Schwab Corp.	Divestiture	-
Oct-29-2004	Schwab Capital Markets L.P.	UBS AG	Charles Schwab Corp.	Divestiture	\$265.0
Oct-28-2003	ADVISORport Inc.	PFPC Worldwide, Inc.	AMC Capital Partners; Charles Schwab	Divestiture	-
Jun-01-2003	Aitken Campbell	TD Ameritrade	Charles Schwab Corp.	Divestiture	-
Jan-31-2003	Charles Schwab Europe	Barclays plc	Charles Schwab Corp.	Divestiture	-
Jan-01-2003	PostX Corporation	Charles Schwab Corp.		Strategic Acquisition	\$7.1
E*Trade Financial Corp.					
May-16-2008	IL&FS Investment Limited	HSBC Securities and Capital Markets	E*TRADE Financial Corporation;	Divestiture	\$240.2
Jul-18-2008	E*Trade Canada	Scotiabank	E*TRADE Financial Corporation	Divestiture	\$143.0
Sep-22-2008	E*Trade Canada Securities Corporation	Bank of Nova Scotia	E*TRADE Financial Corporation	Divestiture	\$515.0
Apr-02-2008	Umbria, Inc.	J.D. Power and Associates, Inc.	Consortium	Divestiture	-
Nov-01-2007	E*Trade Financial Corp.	Citadel Investment Group, Blackrock		Financial Sponsorship	\$2,500.0
OptionsXpress Holdings, Inc.					
Jun-25-2008	Open E Cry, LLC	OptionsXpress Holdings, Inc.		Strategic Acquisition	\$18.0
Jan-24-2007	XpressTrade, LLC	OptionsXpress Holdings, Inc.		Strategic Acquisition	\$37.0
Dec-17-2003	OptionsXpress Holdings, Inc.	G-Bar Lmited Partnership; Summit		PE Investment	\$88.4
Placemark Investments, Inc.					
Pending	Placemark Investments, Inc.	Consortium		PE Investment	\$8.0
Sep-07-2006	Placemark Investments, Inc.	Consortium		PE Investment	\$10.0
May-04-2005	Placemark Investments, Inc.	Consortium		VC Investment	-
Jul-13-2004	Placemark Investments, Inc.	Ascent Venture Partners; North Hill		VC Investment	-
Jan-12-2000	Placemark Investments, Inc.	Capital Z Financial Partners		PE Investment	\$28.5
Raymond James Financial Inc.					
May-26-2009	Lane, Berry & Co. International, LLC	Raymond James Financial Inc.	Ropart Asset Management Funds	Strategic Acquisition	-
Mar-22-2007	ASK Raymond James Securities India Pvt. Ltd.	ASK Group	Raymond James Financial Inc.	Divestiture	-
Mar-01-2001	Capital Bank Investment Services, Inc.	Capital Bank Corporation	Raymond James Financial Inc.	Divestiture	-
Scottrade, Inc.					
Jun-13-2000	MortgageIT, Inc.	Consortium led by Scottrade		Strategic Acquisition	\$33.0
TD AMERITRADE					
Jan-08-2009	thinkorswim, Inc.	TD Ameritrade		Strategic Acquisition	\$675.9
Feb-04-2008	Fiserv Trust Company	TD Ameritrade		Strategic Acquisition	\$325.0
May-24-2007	Fiserv Trust Company	TD AMERITRADE Holding Corporation	Fiserv Inc.	Strategic Acquisition	\$325.0
Aug-21-2006	TD Waterhouse Capital Markets, Inc.	Citigroup	TD Ameritrade; TD AMERITRADE Holding	Divestiture	-
Jun-22-2005	Ameritrade (nka:TD Ameritrade)	Ameritrade Holding Corp (nka:TD AMERITRADE Holding Corporation	Toronto-Dominion Bank	Strategic Acquisition	\$2,869.2
TradeStation Group Inc.					
Jan-20-2000	TradeStation Securities Inc.	TradeStation Group Inc.		Strategic Acquisition	\$132.7
Jan-20-2000	TradeStation Technologies	TradeStation Group Inc.		Strategic Acquisition	\$6.7
Ameriprise Financial Inc.					
Aug-12-2008	H&R Block Financial Advisors, Inc.	Ameriprise Financial	Block Financial LLC	Strategic Acquisition	\$315.0
July-07-2008	J. & W. Seligman & Co. Incorporated	Ameriprise Financial		Strategic Acquisition	\$440.0
Jun-01-2006	Ameriprise Financial Inc. Retirement Record-Keeping	Wachovia Corporation	Ameriprise Financial	Financial Sponsorship	-
Mar-18-2004	Docent Inc.	Click2Learn Inc.	Consortium	Sale	\$22.5
Oct-01-2003	Threadneedle Asset Management Holdings Ltd.	Ameriprise Financial	Zurich Financial Services	Strategic Acquisition	\$570.0
Apr-04-2002	GORP.com, Inc.	Away.com, Inc.	Consortium	Sale	-
Jun-28-2000	Exactis.com, Inc.	24/7 Media, Inc.	Consortium	Sale to Strategic Acquirer	\$35.0

Sources: Freeman & Co. Research, Capital IQ

Fund Administration & Risk Management

Description

Fund Administration & Risk Management companies provide the tools for investment managers to analyze and manage the trading and operational risks of their investment business. The industry is driven by the growth of assets under management, the number of funds and the complexity of the instruments traded in those funds. Several of the key players in the field went public only recently as their growth followed hedge fund AUM increases and the managers' need for more institutional infrastructure and support.

Key Players: Public & Private

(\$ millions)

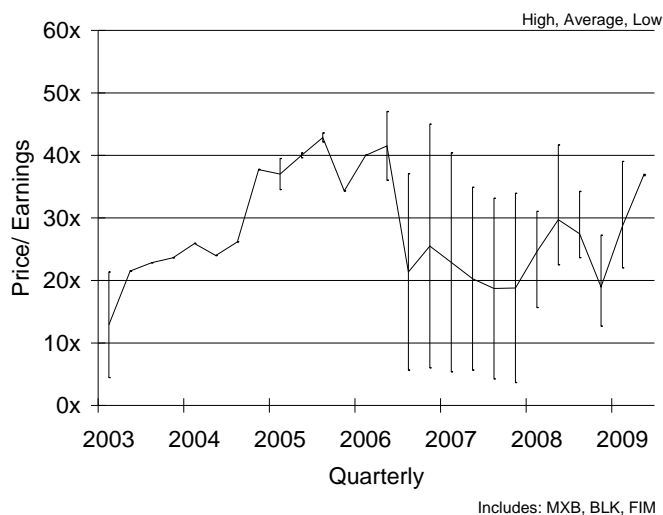
Fund Administration & Risk Management				
Public Company/ (Subsidiary)	Market Cap as of 08/31/09	LTM Revenue ⁽¹⁾	Full-Time Employees	1 Yr Stock % Chg ⁽²⁾
Blackrock (Solutions)	\$26,775 ⁽³⁾	\$502	5,341 ⁽³⁾	-6.0%
Fimalac (Algorithmics)	1,665 ⁽³⁾	146	701	-28.1%
MSCI Inc. (Barra)	2,946 ⁽³⁾	191	766 ⁽³⁾	-64.8%
RiskMetrics	964	304	1,103	-29.9%
GlobeOp	87	101	1,734	-57.9%

Private Companies or Subsidiaries	Focus
ALPS Fund Services	Fund Administration
Citadel Solutions	Fund Administration
Citco	Fund Administration
Custom House	Fund Administration
Hedge Serv	Fund Administration
Olympia Capital International	Fund Administration
Spectrum Global Fund Admin.	Fund Administration
SS&C Technologies	Fund Administration
UMB Fund Services	Fund Administration
Measurisk	Risk Management
S3 Partners	Risk Management

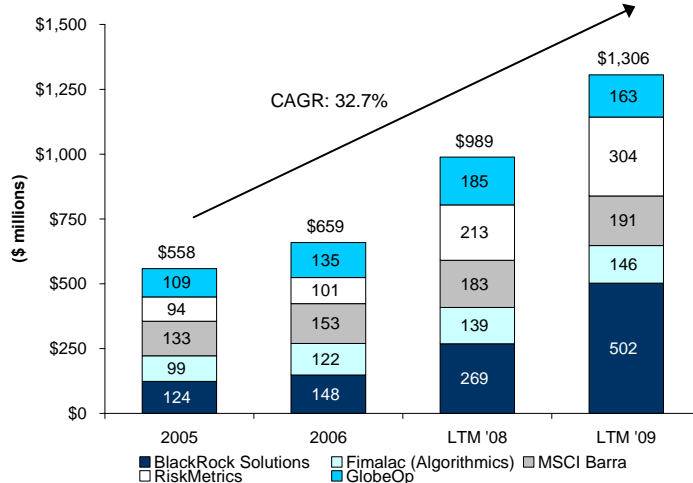
Key Trends

- Fund Administration businesses are under revenue pressure with the downturn in most assets classes: mutual fund AUM -17% and hedge fund AUM -23%. With a certain level of fixed costs, operating margins are under pressure. Note the revenue decline on GlobeOp as an example (bottom right)
- In the hedge fund sector, the Madoff scandal has guaranteed that third party administration is now required, creating a mini-boom of demand from any firms that were self-administering their funds
- Risk Management businesses have been getting a boost from all the expected risk factors and losses experienced recently. Revenue for Algorithmics, RiskMetrics, MSCI Barra and BlackRock Solutions all rose year-over-year ending June 30, 2009
- Even with this revenue growth, valuations for the sector have fallen 31% from 6.1x to 4.2x LTM revenues

P/E Multiple Spreads



Revenue Growth of Key Players (including M&A)



Source: Company Financials, Freeman & Co. Research

Fund Administration & Risk Management

Selected M&A Activity

- Fund Administration & Risk Management has represented an area of interest for private equity firms as it gives them exposure to companies in the financial services industry without having to acquire large balance sheet players
- The business models in Fund Administration & Risk Management offer a number of compelling investment theses including recurring revenue, low variable costs leading to strong operating leverage, lower levels of key man risk and oligopolistic competition (e.g. use of only one fund administrator)
- The turbulent market conditions of 2008 and 2009 will drive consolidation among smaller fund providers who have not achieved the size and scale requirements to continue profitable growth
- New cutting edge risk management solutions will find increased private equity and strategic interest as investors need new tools to manage / supervise many of the alternative asset classes with non-correlated strategies that have a wider range of risk exposures than most investors had planned for

Close Date	Target	Acquirer	Sellers	Deal Type	Deal Value
Algorithmics, Inc.					
Jun-21-2005	Algorithmics Inc., Algo Risk Solution	Plainfield Asset Management LLC	Algorithmics, Inc.	Divestiture	-
Jan-25-2005	Algorithmics, Inc.	CIBC Capital Partners		PE Investment	\$175.0
Dec-17-2004	Algorithmics, Inc.	The Fitch Group	Consortium	Strategic Acquisition	\$175.0
Sep-13-2000	Algorithmics, Inc.	Consortium		PE Investment	\$85.0
Sep-13-2000	Sentry Financial Systems LLC	Algorithmics, Inc.			-
Jul-21-1999	Algorithmics, Inc.	Teachers' Private Capital, VenGrowth I,		VC Investment	\$36.6
ALPS Fund Services, Inc.					
May-15-2008	Price Meadows Incorporated	ALPS Fund Services, Inc		Strategic Acquisition	-
Sep-8-2006	Banc of America Investment Advisors, Advisory Business of Two Closed-end NYSE-Listed Equity Funds	ALPS Fund Services, Inc	Banc of America Investment Advisors, Inc.	Strategic Acquisition	-
Aug-9-2005	ALPS Financial Services Inc.	Lovell Minnick Partners LLC		PE Investment	-
GlobeOp Financial Services S.A					
Oct-06-2003	GlobeOp Financial Services S.A	TA Associates, Inc.	Mezzanine Management UK Ltd.	PE Investment	-
HedgeServ					
Mar-18-2009	HedgeServ	Aquiline Capital Partners		PE Investment	-
MSCI Inc.					
Jun-03-2004	Barra Inc.	MSCI Inc.		Strategic Acquisition	\$859.2
Olympia Capital International, Inc.					
Jul-30-2007	Olympia Capital International, Inc.	Credit Agricole Investor Services		Strategic Acquisition	-
RiskMetrics Group, Inc					
Aug-02-2007	Center for Financial Research & Analysis, Inc.	RiskMetrics Group, Inc	TA Associates, Inc.	Strategic Acquisition	-
Jan-11-2007	Institutional Shareholder Services, Inc.	RiskMetrics Group, Inc	Hermes Pensions Management Limited; Proxy Monitor Inc; Warburg Pincus LLC	Strategic Acquisition	\$553.0
Jun-14-2004	RiskMetrics Group, Inc	General Atlantic LLC; Spectrum Equity Investors; Technology Crossover	Consortium	PE Investment	\$122.0
Jun-14-2004	RiskMetrics Group, Inc	Technology Crossover Ventures Buyer		PE Investment	\$22.0
Apr-01-2003	Arrakis	RiskMetrics Group, Inc	JPMorgan Chase & Co	Strategic Acquisition	-
SS&C Technologies					
Mar-13-2007	Northport LLC	SS&C Technologies Holdings Inc		Strategic Acquisition	-
Aug-21-2006	Zoologic Inc.	SS&C Technologies Holdings Inc.	Consortium	Strategic Acquisition	\$2.6
Mar-06-2006	Cogent Management Inc.	SS&C Technologies Holdings Inc		Strategic Acquisition	\$12.3
May-16-2005	Financial Interactive, Inc.	SS&C Technologies Holdings Inc		Strategic Acquisition	\$13.2
Feb-28-2005	SS&C Fund Administration Services LLC	SS&C Technologies Holdings Inc	Eisner LLP	Strategic Acquisition	\$25.3
Feb-17-2005	Financial Models Company Inc.	SS&C Technologies Holdings Inc		Strategic Acquisition	\$157.7
Aug-24-2004	Integral Development Corp., MarginMan Business	SS&C Technologies Holdings Inc	Integral Development Corp.	Strategic Acquisition	\$5.6
Apr-15-2004	ADP Financial Information Services, Inc., Two Subsidiaries	SS&C Technologies Holdings Inc	ADP Financial Information Services, Inc.	Strategic Acquisition	\$20.0
Jan-20-2004	Investment Advisory Network	SS&C Technologies Holdings Inc		Strategic Acquisition	\$3.0
Oct-14-2003	SS&C Fund Services N.V.	Ami SS&C Technologies Holdings Inc	Corp Fund Services N.V.	Strategic Acquisition	\$1.8
Nov-15-2002	DBC	SS&C Technologies Holdings Inc	Thomson Financial Municipals Group	Strategic Acquisition	\$4.5
Mar-11-1999	HedgeWare Inc	SS&C Technologies Holdings Inc		Strategic Acquisition	-
Mar-09-1998	The SAVID Group, Inc.	SS&C Technologies Holdings Inc		Strategic Acquisition	-
Jul-28-1995	SS&C Technologies Holdings Inc	The Carlyle Group		PE Investment	\$1,008.0
UMB Fund Services, Inc.					
May-07-2009	J.D. Clark & Company	UMB Fund Services, Inc.		Strategic Acquisition	\$23.0

Sources: Freeman & Co. Research, Capital IQ

Processing & Custody

Description

The Processing & Custody industry provides the back office services that allow financial assets to be held, warehoused and exchanged. Growth in the number of financial products, rising trading volumes, and overall growth in financial assets has led to steady growth and an expansion of the industry into additional information and banking services. As noted, mutual fund AUM has been growing at 14% and hedge fund AUM at 18% over 10+ years.

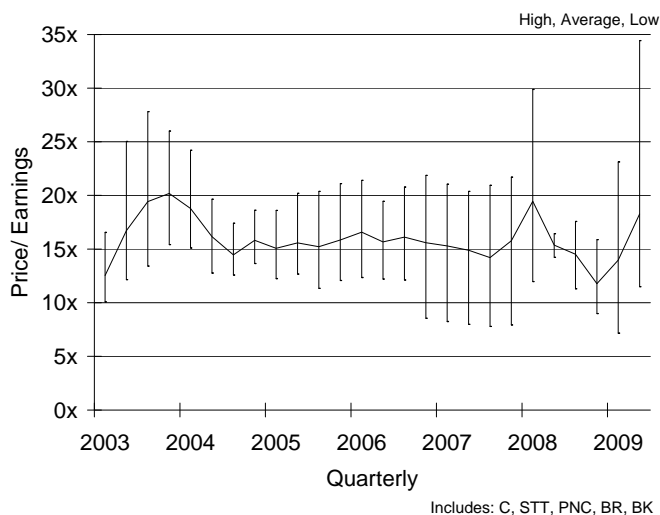
Key Players: Public & Private

(\$ millions)				
Public Company/ (Subsidiary)	Market Cap as of 08/31/09	LTM Revenue ⁽¹⁾	Full-Time Employees	1 Yr Stock % Chg ⁽²⁾
BNY Mellon (Sec Svcs)	\$35,616 ⁽³⁾	\$5,516	42,000 ⁽³⁾	-12.1%
Broadridge	2,900	2,155	4,850	6.1%
Citi (Transaction Svcs)	56,709 ⁽³⁾	9,581	309,000 ⁽³⁾	-73.3%
PNC	19,651 ⁽³⁾	838	4,934	-39.0%
(Global Inv. Services)				
State Street	25,951	11,021	28,475	-21.6%

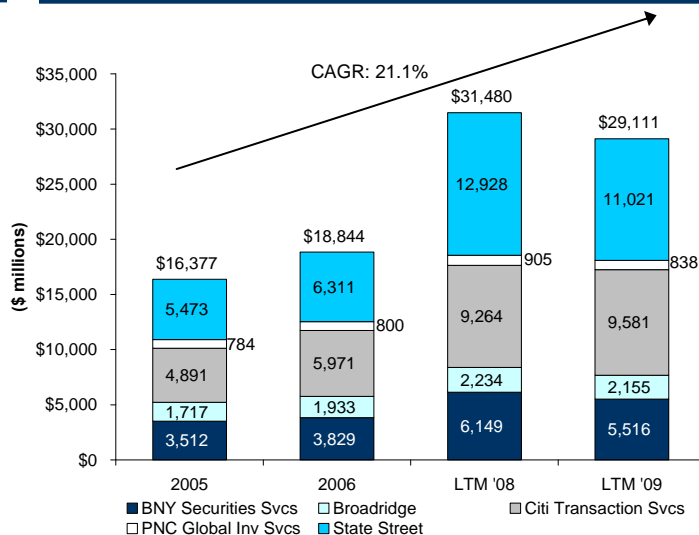
Key Trends

- The Processing & Custody sector suffered from the AUM drop, with LTM revenue of the five main companies in this study dropping approximately 7.5% year-over-year. Given their high fixed cost base, and less flexible cost structure, pre-tax margins fell 31.5% from 19% to 13% for the year-over-year period ending June 30, 2009
- M&A activity has been absent from the sector as Processing & Custody firms were focused on the stabilization of their parent companies. With the number of government-backed bailouts, we expect that numerous banks will need to sell non-core Processing & Custody related business lines to pay back their governments
- In areas such as custody, strategic buyers with existing platforms will have a clear lead in M&A over bids from private equity firms. However, in numerous niche processing sectors (options, FX, custody, bank payments), PE firms will have advantages on middle market deals, where the targets lack the size and scale to be attractive to the large custody banks
- Product innovation has been a great driver of growth, and will continue to do so in the future. Options, futures and commodity trading will tend to favor existing players, while yet to be invented products may be a boom for the boutiques that develop and launch those products

P/E Multiple Spreads



Revenue Growth of Key Players (including M&A)



Source: Company Financials, Freeman & Co. Research

(1) LTM revenue as of 6/30/09; LTM '08 as of 6/30/08

(2) 1 Year Stock Change as of August 31, 2009

(3) Parent company figures

Processing & Custody

Selected M&A Activity

- Since our last review in the fall of 2008, Processing & Custody companies have seen little M&A activity of either significant size / scale or strategic value. The following are some historical trends that will continue to be prevalent in future cycles:
 - Innovative software solutions for clearing, fund administration, client relationship management and billing were all common M&A themes for Processing & Custody companies
 - BNY Mellon and DST both acquired private equity-funded companies including Ember Corporation, Asurion Corporation and New River Inc
 - New product and service innovations create ample opportunities for private equity firms and the oligopolistic structure of the industry creates well-identified exit opportunities
 - In the past four years, private equity firms have completed four major transactions with a total value of \$3.7 billion

Close Date	Target	Acquirer	Sellers	Deal Type	Deal Value
The Bank of New York Mellon Corporation					
Nov-07-2007	Zip Trade Technologies Inc.	G-Trade Services Ltd.; Luminary		Strategic Acquisition	\$20.0
Aug-10-2007	aQuantive Inc.	Microsoft Corporation	BNY Western Trust Co.	Strategic Acquisition	\$6,042.8
Jun-12-2006	TD Banknorth, N.A., Bond Administration Business	Bank of New York Trust Company, NA	TD Banknorth, National Association	Divestiture	-
May-22-2006	Salesnet Inc.	Rightnow Technologies Inc.	Phoenix Investment Partners, Ltd.; Prism VentureWorks; WestLB Mellon Asset Management	Strategic Acquisition	\$9.0
Oct-11-2005	Blue Frog Solutions, Inc.	Pershing LLC; Security Benefit Group, Inc.		Strategic Acquisition	-
Sep-30-2004	Ember Corporation	Consortium		Strategic Acquisition	\$25.0
Broadridge Financial Solutions Inc.					
Aug-31-2007	Finaplex, Inc.	Broadridge Financial Solutions Inc.		Strategic Acquisition	-
Mar-30-2007	ADP Brokerage Services Group	Broadridge Financial Solutions Inc.	Automatic Data Processing, Inc.	Strategic Acquisition	\$2,691.4
Jul-19-2006	SalesLink Corp.	Broadridge Investor Communication Solutions, Inc.	CMGI Inc.	Strategic Acquisition	-
Nov-01-2004	ADP Clearing & Outsourcing Services, Inc.	ADP Brokerage Services Group	Banc of America Securities LLC	Divestiture	-
Jan-01-2000	Dataphile Software Ltd.	ADP Brokerage Services Group		Strategic Acquisition	-
PNC Bank (PFPC Division)					
Aug-3-2005	National City Corporation, Transfer Agency Business	Computershare Ltd.	National City Corporation	Divestiture	\$16.2
Dec-07-2007	Coates Analytics Group	PNC Bank	Ben Franklin Technology Partners	Strategic Acquisition	-
Nov-01-2007	Albridge Solution, Inc.	PNC Bank	Consortium	Strategic Acquisition	-
Sep-22-2005	The Receivable Management Services Corporation	Citi Ventures Capital International	Consortium, including PNC Equity	PE Investment	-
Sep-15-2003	ADVISORport Inc.	PNC Bank	Consortium	Strategic Acquisition	-
Apr-17-2003	PFPC Retirement Services Business	Wachovia	PNC Bank	Divestiture	\$26.4
State Street Corp.					
Jul-02-2007	Investors Financial Services Corp.	State Street Corp.		Strategic Acquisition	\$4,459.0
Jan-31-2003	Deutsche Bank AG, Global Securities Services Business	State Street Corp.	Deutsche Bank AG (DB:DBK)	Divestiture	\$1,490.0
Mar-11-2008	FinancialSockets, Inc.	State Street Corp.		Strategic Acquisition	-
Aug-08-2007	Palmeri Fund Administrators, Inc.	State Street Corp.		Strategic Acquisition	-
Oct-02-2003	Bank of Ireland, Fund Administration And Custody Services	State Street Corp.	The Governor and The Bank of Ireland	Divestiture	-
DST Systems Inc.					
Jul-03-2007	Asurion Corporation	Madison Dearborn Partners, LLC; Providence Equity Partners LLC; WCAS IX Associates LLC	DST Systems Inc. ; TA Associates, Inc. Seller Funds: TA IX, L.P.; TA/Atlantic & Pacific IV. L.P.	PE Investment	\$980.0
Oct-02-2006	Amisys Synertech Inc.	DST Systems Inc.		Strategic Acquisition	\$138.0
Jan-09-2006	DSTI Pensions & Actuarial Services Limited	DST International Limited		Strategic Acquisition	-
Jan-03-2006	NewRiver, Inc.	Consortium		Strategic Acquisition	\$20.6
Jan-01-2006	Lock/line, LLC	Asurion Corporation	DST Systems Inc.	Divestiture	-
Jul-05-2005	DST Interactive, Inc.	Amdocs Ltd.	DST Systems Inc.	Divestiture	-
Jul-01-2005	DST Innovis, Inc.	Amdocs Ltd.	DST Systems Inc.	Divestiture	\$237.9
Jun-29-2005	iSpace Software Technologies, Ltd.	Amisys Synertech Inc.		Strategic Acquisition	-
Jun-17-2005	Equiserve, Inc. (nka:Computershare, Inc.)	Computershare Ltd.	DST Systems Inc.	Divestiture	\$308.3
Apr-29-2005	CSC Healthcare, Inc. (nka:DST Health Solutions, Inc.)	DST Systems Inc.	Computer Sciences Corp.	Strategic Acquisition	\$327.2

Source: Freeman & Co. Research, Capital IQ

Data, Information & Software

Description

Data, Information & Software companies provide tools and information to financial institutions either through web-based interfaces, software programs or other more traditional media such as print, television and radio. Companies in this sector depend on the steady demand for financial information, the worldwide growth in the number of users of financial information and the increase in both number and complexity of financial instruments.

Key Players: Public & Private

(\$ millions)

Public Company/ (Subsidiary)	Market Cap as of 08/31/09	LTM Revenue ⁽¹⁾	Full-Time Employees	1 Yr Stock % Chg ⁽²⁾
Advent Software	\$986	\$282	1,068	-16.3%
Factset	2,595	613	2,150	-10.8%
Fidelity National Info Systems	4,711	3,388	26,000	13.6%
Fiserv	7,449	4,217	20,000	-7.0%
Interactive Data Corp	1,032	447	2,400	-20.6%
Ocwen Financial	2,179	754	4,146	146.6%
Thomson Reuters (Markets division)	26,387 ⁽³⁾	7,813	27,200	-1.1%
Dealogic	94	72	489	8.7%

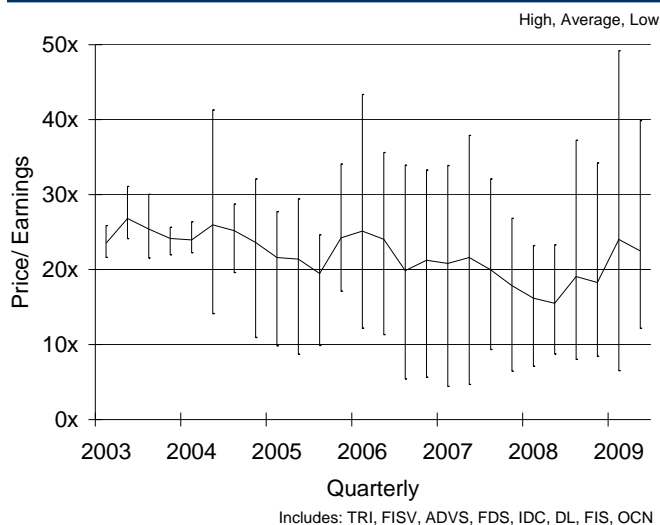
Private Companies

Barclay Hedge	eVestmant Alliance
Bloomberg	SNL Financial
Channel Capital Group	Sungard Data Systems
Eurekahedge Global Alternatives	

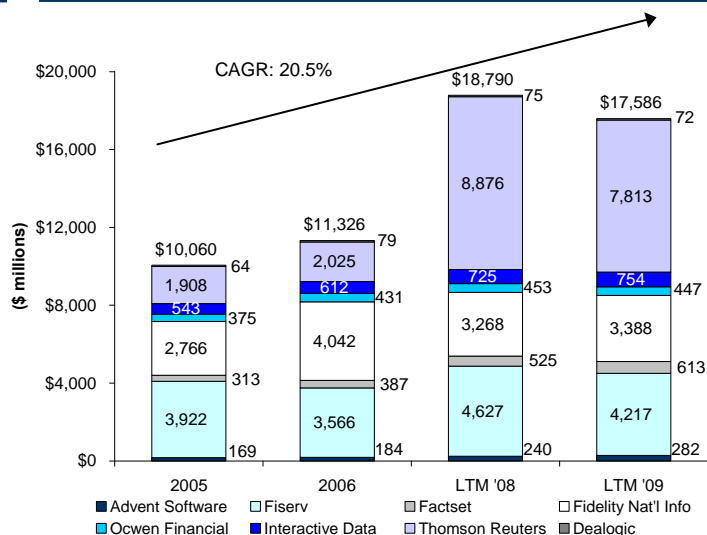
Key Trends

- The enterprise license nature of revenues and the long dated contract cycles in this sector have shielded this sector from the immediate revenue declines experienced by the other SP&T sectors
- While this sector may have avoided the quick revenue decline, the overall decline in the health of financial institutions and the significant cutback in the number of personnel working at these financial institutions will eventually catch up to the top lines of these companies. With a relatively high component of fixed costs, the impact of the decline in revenues on the profitability of companies in this sector is disproportionately higher
- The Data, Info & Software sector has benefited from the increase in demand for products in the derivative and commodity trading sectors. Generally, new investment product innovation provides a demand boost for companies in this sector that can be first-to-market with tools to support investors in new products
- In contrast to the reduction in demand for some Data, Info & Software services is the increased demand for risk systems and transaction reporting, especially in the previously unregulated OTC trading sectors
- As regulations mandate the need for transparency in OTC trading activities, there will be a scramble among institutions to build / acquire capabilities to comply with increased disclosure requirements

P/E Multiple Spreads



Revenue Growth of Key Players (including M&A)



Source: Company Financials, Freeman & Co. Research

(1) LTM revenue as of 6/30/09; LTM '08 as of 6/30/08

(2) 1 Year Stock Change as of August 31, 2009

(3) Parent company figures

Data, Information & Software

Selected M&A Activity

- The Thomson Reuters merger, completed in April 2008 for \$18.2 billion, represents a landmark transaction in the Data, Information & Software sector. The combined firms' 34% market share will challenge Bloomberg for dominance in the sector
- While M&A activity has been slow over the past 12-18 months, the Data, Info & Software sector will rebound with heightened middle-market deal activity as large firms:
 - Acquire new products to bolt-on to their global distribution platforms
 - Expand globally to acquire new client bases to whom they can cross-sell products
 - Round out their products so that they serve all their clients' needs and capture the highest wallet-share possible from each client

Close Date	Target	Acquirer	Sellers	Deal Type	Deal Value
Fiserv Inc.					
Jul-02-2008	Fiserv Insurance Solutions, Inc.	Stone Point Capital LLC	Fiserv, Inc.	PE Investment	\$570.5
Jan-24-2008	Del Mar Datatrac, Inc.	TVC Ventures, LLC	Fiserv Inc.	Divestiture	-
Oct-15-2007	BancIntelligence.com	Fiserv Inc.	Imlay Investments Inc.	Strategic Acquisition	-
Aug-02-2007	CheckFree Corp.	Fiserv Inc.		Strategic Acquisition	\$4,564.0
May-24-2007	Fiserv Trust Company	TD AMERITRADE Holding Corporation	Fiserv Inc.	Divestiture	\$325.0
Advent Software					
Pending	MicroEdge, Inc.	Vista Equity Partners	Advent Software Inc.	Divestiture	\$30.7
Oct-01-2008	Tamale Software	Advent Software		Strategic Acquisition	\$69.1
Nov-28-2007	MicroEdge Limited	Advent Software		Strategic Acquisition	-
Apr-27-2007	LatentZero Limited	Fidessa Group	Advent Software	Divestiture	\$124.8
Feb-01-2007	East Circle Solutions Inc.	Advent Software		Strategic Acquisition	-
Bloomberg L.P.					
Jul-17-2008	Bloomberg L.P.	Bloomberg L.P.	Merrill Lynch	Buyback	\$4,500.0
Sep-05-2006	National Stock Exchange	Consortium		Strategic Acquisition	-
Apr-10-2006	Brainpower NV	Bloomberg L.P.	Edmond de Rothschild Investment	Strategic Acquisition	\$45.9
Sep-15-2005	Bloomberg Wealth Manager Magazine	Highline Media LLC	Bloomberg L.P.	Divestiture	-
Jun-07-1980	Bloomberg L.P.	Merrill Lynch & Co., Inc.		Strategic Acquisition	-
FactSet Research Systems Inc.					
Jan-31-2008	Deal Maven, Inc.	FactSet Research Systems Inc.		Strategic Acquisition	\$14.0
Feb-27-2006	Europrospectus.com Ltd.	FactSet Research Systems Inc.	HAL Investments B.V.	Strategic Acquisition	\$7.5
Sep-01-2005	StreamVPN Limited	FactSet Research Systems Inc.		Strategic Acquisition	\$22.7
Aug-01-2005	Derivative Solutions Inc.	FactSet Research Systems Inc.		Strategic Acquisition	\$53.8
Jan-04-2005	FactSet TrueCourse, Inc.	FactSet Research Systems Inc.		Strategic Acquisition	\$7.7
Sep-01-2004	JCF Group	FactSet Research Systems Inc.		Strategic Acquisition	\$67.0
May-07-2004	FactSet CallStreet, LLC	FactSet Research Systems Inc.		Strategic Acquisition	-
Jan-23-2003	Factset Mergerstat LLC.	FactSet Research Systems Inc.	Houlihan Lokey Howard & Zukin	Strategic Acquisition	\$7.7
Interactive Data Corp.					
Jun-26-2008	Kler's S.r.l.	Interactive Data Corporation		Strategic Acquisition	\$29.9
Apr-04-2007	Interactive Data Xcitek	Interactive Data Corporation		Strategic Acquisition	\$25.3
Feb-01-2006	Quote.com Inc.	Interactive Data Corporation	Lycos, Inc.	Strategic Acquisition	\$30.0
Jan-09-2006	Interactive Data Corporation (NYSE:IDC)	Pearson plc		Strategic Acquisition	\$24.5
Nov-09-2005	Interactive Data Managed Solutions AG	Interactive Data Real Time Services	Consortium	Strategic Acquisition	\$57.0
Aug-16-2004	FutureSource LLC	Interactive Data Corporation		Strategic Acquisition	\$18.0
Oct-06-2003	FT Interactive Data Corp, Index Distribution Operations	Russell/Mellon CAPS	Interactive Data Pricing and Reference	Divestiture	-
Jan-16-2003	Interactive Data Real Time Services, Inc.	Interactive Data Corporation	The McGraw-Hill Companies, Inc.	Strategic Acquisition	\$115.0
Jan-02-2002	Merrill Lynch & Co. Inc., Securities Pricing Service	Interactive Data Corporation		Strategic Acquisition	\$48.0
Dec-29-2000	MarketWatch Inc.	Interactive Data Corporation, Pearson		Strategic Acquisition	\$26.9
Nov-15-1999	Interactive Data Corporation (NYSE:IDC)	Pearson plc		Strategic Acquisition	-
Nov-14-1999	Data Broadcasting Corporation	Interactive Data Corporation		Strategic Acquisition	-
Sungard Data Systems Inc					
Jul-02-2008	Delphi Technologies Limited	SunGard Data Systems Inc.		Strategic Acquisition	-
Feb-29-2008	Advanced Portfolio Technologies, Inc.	SunGard Data Systems Inc.		Strategic Acquisition	-
Dec-20-2006	Automated Financial Systems Corporation	SunGard Data Systems Inc.		Strategic Acquisition	-
Oct-02-2006	Soliton Inc., TimeSquare Business	SunGard Data Systems Inc.	Soliton, Incorporated	Strategic Acquisition	-
Mar-31-2006	SunGard Wealth Management Services LLC	Reliance Trust Company	SunGard Data Systems Inc.	Divestiture	-
Mar-15-2006	Dataware Solutions, Inc.	SunGard Data Systems Inc.		Strategic Acquisition	-
Thomson Reuters Corporation					
Apr-17-2008	Reuters Group PLC	Thomson Corp.		Strategic Acquisition	\$18,266.5
Jul-12-2007	FERI Fund Market Information Ltd.	Thomson Corp.	Feri Rating and Research GmbH	Strategic Acquisition	\$5.4
Mar-02-2006	Quantitative Analytics, Inc.	Thomson Corp.	TA Associates, Inc.	Strategic Acquisition	-
May-09-2003	Thomson Elite	Thomson Corp.		Strategic Acquisition	\$110.2

Sources: Freeman & Co. Research, Capital IQ

Public Company Comparables

(All figures in millions unless otherwise stated)

Company Name	Summary Financials							LTM 6/30/09 Valuation Metrics				
	8/31/2009		Book Value / Share	LTM ⁽¹⁾⁽²⁾			2009E EPS ⁽²⁾	Price / Book	Price / LTM ⁽¹⁾			2009E EPS ⁽³⁾
	Stock Price	Market Cap		Revenue	Pre-Tax	EPS			Revenue	Pre-Tax	EPS	
Ratings & Advice												
Morningstar Inc.	\$44.30	\$2,144	\$12.78	\$481	\$135	\$1.84	\$1.80	3.5 x	4.5 x	15.9 x	24.1 x	24.6 x
Moody's Corp.	27.24	6,437	(3.20)	1,697	624	1.66	1.57	N/M	3.8 x	10.3 x	16.4 x	17.4 x
The McGraw-Hill Companies	33.61	10,580	4.46	6,077	1,177	2.48	2.25	7.5 x	1.7 x	9.0 x	13.6 x	14.9 x
TheStreet.com Inc.	2.55	78	3.53	67	(31)	(0.10)	(0.37)	0.7 x	1.2 x	N/M	N/M	N/M
Value Line, Inc.	29.49	294	8.10	69	36	2.30	N/A	3.6 x	4.3 x	8.2 x	12.8 x	N/A
Average								3.8 x	3.1 x	10.9 x	16.7 x	19.0 x
Median								3.6 x	3.8 x	9.6 x	15.0 x	17.4 x
Distribution & Intermediation												
Ameriprise Financial, Inc.	\$30.03	\$7,658	\$31.80	\$5,633	(\$554)	\$3.02	\$2.24	0.9 x	1.4 x	N/M	9.9 x	13.4 x
Charles Schwab Corp.	18.06	20,965	3.98	4,731	1,696	1.01	0.74	4.5 x	4.4 x	12.4 x	17.9 x	24.4 x
E*TRADE Financial Corp.	1.76	1,966	2.67	1,629	(1,502)	(1.68)	(0.63)	0.7 x	1.2 x	N/M	N/M	N/M
optionsXpress Holdings, Inc.	16.64	961	4.88	235	113	1.23	1.04	3.4 x	4.1 x	8.5 x	13.5 x	16.0 x
Raymond James Financial, Inc.	22.75	2,809	15.96	2,572	262	1.34	1.18	1.4 x	1.1 x	10.7 x	17.0 x	19.2 x
TD Ameritrade Holding Corp.	19.24	11,281	5.76	2,351	1,083	1.16	1.05	3.3 x	4.8 x	10.4 x	16.6 x	18.3 x
TradeStation Group, Inc.	7.17	300	4.08	154	42	0.60	0.42	1.8 x	1.9 x	7.2 x	12.0 x	17.0 x
Average								2.3 x	2.7 x	9.8 x	14.5 x	18.1 x
Median								1.8 x	1.9 x	10.4 x	15.1 x	17.7 x
Fund Admin & Risk Management												
Blackrock, Inc.	\$199.57	\$26,775	\$95.71	\$4,376	\$670	\$4.95	\$5.95	2.1 x	6.1 x	N/M	N/M	33.6 x
MSCI, Inc.	29.42	2,946	3.40	433	109	0.69	1.08	8.7 x	6.8 x	27.1 x	N/M	27.2 x
RiskMetrics Group, Inc.	15.56	964	3.76	304	(111)	(0.16)	0.60	4.1 x	3.2 x	N/M	N/M	25.8 x
GlobeOp Financial Services S.A.	£0.96	£87	£0.58	£101	£21	£0.13	£0.08	1.7 x	0.9 x	4.1 x	7.4 x	12.1 x
Average								4.1 x	4.2 x	15.6 x	7.4 x	24.7 x
Median								3.1 x	4.6 x	15.6 x	7.4 x	26.5 x
Processing & Custody												
The Bank of New York Mellon Corp.	\$29.61	\$35,616	\$22.68	\$13,846	\$1,300	\$2.73	\$1.92	1.3 x	2.6 x	27.4 x	10.8 x	15.4 x
Broadridge Financial Solutions, Inc.	20.82	2,900	6.53	2,155	346	1.48	1.47	3.2 x	1.3 x	8.4 x	14.1 x	14.2 x
Citigroup Inc.	5.00	56,709	14.16	108,298	(30,540)	(5.35)	(0.28)	0.4 x	0.5 x	N/M	N/M	N/M
PNC Financial Services Group Inc.	42.59	19,651	41.97	14,465	782	2.36	1.92	1.0 x	1.4 x	25.1 x	18.0 x	22.2 x
State Street Corp.	52.48	25,951	24.48	11,021	2,288	4.49	4.01	2.1 x	2.4 x	11.3 x	11.7 x	13.1 x
Average								1.6 x	1.6 x	18.1 x	13.7 x	16.2 x
Median								1.3 x	1.4 x	18.2 x	12.9 x	14.8 x
Data, Information & Software												
Advent Software, Inc.	\$38.69	\$986	\$8.25	\$282	\$32	\$0.94	\$1.30	4.7 x	3.5 x	N/M	N/M	29.8 x
Factset Research Systems Inc.	55.04	2,595	10.51	613	204	2.81	2.89	5.2 x	4.2 x	12.7 x	19.6 x	19.1 x
Fidelity National Info. Services, Inc.	24.56	4,711	18.57	3,388	295	1.38	1.62	1.3 x	1.4 x	16.0 x	17.8 x	15.2 x
Fiserv Inc.	48.25	7,449	18.32	4,217	643	3.44	3.60	2.6 x	1.8 x	11.6 x	14.0 x	13.4 x
Ocwen Financial Corp.	10.35	1,032	10.28	447	71	0.64	0.71	1.0 x	2.3 x	14.5 x	16.2 x	14.6 x
Interactive Data Corp.	23.21	2,179	11.05	754	214	1.54	1.41	2.1 x	2.9 x	10.2 x	15.1 x	16.5 x
Thomson Reuters Corp.	31.89	26,387	22.98	13,169	1,936	2.00	1.82	1.4 x	2.0 x	13.6 x	15.9 x	17.5 x
Dealogic plc	£1.40	£94	0.58	£44	£11	£0.10	£0.12	2.4 x	2.1 x	8.2 x	13.4 x	12.0 x
Average								2.6 x	2.5 x	12.4 x	16.0 x	17.3 x
Median								2.3 x	2.2 x	12.7 x	15.9 x	15.8 x
Overall Average								2.9 x	2.8 x	13.3 x	13.6 x	19.0 x
Overall Median								2.3 x	2.2 x	12.7 x	15.0 x	17.4 x

Note: All figures are as reported by Bloomberg

(1) LTM based on calendar year ended 6/30/2009. LTM financials as of 4/30/09 for VALU; 5/30/09 for MXB and FDS; 12/31/08 for GO.L and DL.L and 3/31/2009 for TSCM

(2) LTM revenue and pretax figures are for parent company and include all divisions

(3) Based on consensus Bloomberg estimates as of 8/31/09

Freeman & Co. Transactions

Financial Servicing, Processing & Technology Transactions

<p>The BANK of NEW YORK GTCR Eze Castle Software <i>have merged</i></p> <p>The BANK of NEW YORK Eze Castle Software <i>to form</i></p> <p>BNY ConvergeEx Group</p> <p><i>Acted as financial advisor to GTCR October 2, 2006</i></p> <p>Freeman & Co. Securities LLC</p>	<p>CONSTELLATION</p> <p><i>has been acquired by</i></p> <p>SG CORPORATE & INVESTMENT BANKING</p> <p><i>Acted as financial advisor to Constellation Financial Management LLC, FEP Holdings L.P. and its affiliates July 17, 2003</i></p> <p>Freeman & Co. LLC</p>	<p><i>The structured products business of</i></p> <p>ZURICH CAPITAL MARKETS</p> <p><i>has been acquired by</i></p> <p>BNP PARIBAS</p> <p><i>Acted as financial advisor to Zurich Capital Markets, Inc. July 11, 2003</i></p> <p>Freeman & Co. Securities LLC</p>	<p><i>\$1.3 billion AUM</i></p> <p>LYRA CAPITAL LLC</p> <p><i>has completed the management buyout of</i></p> <p>Zurich Benchmark Series</p> <p><i>from</i></p> <p>ZURICH CAPITAL MARKETS</p> <p><i>Acted as financial advisor to Zurich Capital Markets, Inc. October 16, 2003</i></p> <p>Freeman & Co. LLC</p>
<p>THE BANK OF NEW YORK</p> <p><i>has acquired</i></p> <p>Trotter Kent</p> <p><i>Acted as financial advisor to The Bank of New York, January 1999</i></p> <p>Freeman & Co. LLC</p>	<p><i>The Mortgage Loan and Real Estate Division of</i></p> <p>CONNING</p> <p><i>a wholly owned subsidiary of</i></p> <p>Swiss Re</p> <p><i>has been acquired by</i></p> <p>KeyCorp</p> <p><i>Acted as financial advisor to Swiss RE, June 28, 2002</i></p> <p>Freeman & Co. LLC</p>	<p>SG CORPORATE & INVESTMENT BANKING</p> <p><i>has acquired from</i></p> <p>FEP Capital II</p> <p><i>a 51% stake to</i></p> <p>Lightning Finance Limited</p> <p><i>a joint venture with</i></p> <p>FRANKLIN TEMPLETON INVESTMENTS</p> <p><i>Acted as financial advisor to Constellation Financial Management Company LLC, FEP Holdings L.P. and its affiliates July 17, 2003</i></p> <p>Freeman & Co. LLC</p>	

Electronic Trading & Technology Transactions

<p>TORC FINANCIAL</p> <p><i>has been acquired by</i></p> <p>INSTINET.</p> <p><i>The undersigned acted as financial advisor to TORC Financial, LLC August 26, 2009</i></p> <p>Freeman & Co. Securities LLC</p>	<p>PALI CAPITAL</p> <p><i>has raised an undisclosed amount of capital from</i></p> <p>GRUPO MUNDIAL UN MUNDO DE SOLUCIONES</p> <p><i>The undersigned acted as financial advisor to Pali Capital, Inc. August 2008</i></p> <p>Freeman & Co. Securities LLC</p>	<p>CARLIN FINANCIAL GROUP</p> <p><i>has been acquired by</i></p> <p>RBC Capital Markets</p> <p><i>Acted as financial advisor to Carlin Financial Group January 2, 2007</i></p> <p>Freeman & Co. Securities LLC</p>	<p>ESP Electronic Specialist LLC</p> <p><i>ESP has been recapitalized and received a growth equity investment from</i></p> <p>BEAR STEARNS</p> <p>CREDIT SUISSE</p> <p>SIG SUSQUEHANNA SECURITIES LLC</p> <p><i>The undersigned acted as advisor to ESP Technologies, LLC May 17, 2007</i></p> <p>Freeman & Co. Securities LLC</p>
<p>citigroup</p> <p><i>has acquired</i></p> <p>LAVA</p> <p><i>Acted as financial advisor to Citigroup Inc. August 2004</i></p> <p>Freeman & Co. Securities LLC</p>	<p>neovest High Performance Trading Technology™</p> <p><i>has been acquired by</i></p> <p>JPMorgan</p> <p><i>Acted as financial advisor to Neovest Holdings, LLC Pending Closure</i></p> <p>Freeman & Co. Securities LLC</p>	<p>\$105,000,000</p> <p>ITG Investment Technology Group, Inc.</p> <p><i>has acquired</i></p> <p>HOENIG</p> <p>Hoenig Group, Inc.</p> <p><i>Acted as financial advisor to ITG, September 3, 2002</i></p> <p>Freeman & Co. LLC</p>	

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- *Can a Third Shoe Drop?* (March 2009)
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- *The World is a Different Place* (February 2008)
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Securities Industry Reports

- *Securities Industry at Major Inflection Point* (March 2009)
- *Mom, Dad, Are We There Yet?* (October 2008)
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- *Make Room for Real Estate* (October 2005)
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Freeman & Co. LLC

“Independent Financial Services Advice”

New York

Freeman & Co. LLC
645 Fifth Avenue
9th Floor
New York, NY 10022

Tel: +1 212 830 6161
Fax: +1 212 265 4998

London

Freeman & Co. International LLP
N° 1 Cornhill
London , EC3V 3ND
United Kingdom

Tel: +44 (0) 207 743 6535
Fax: +44 (0) 207 743 6528