Issue 1
1st Half 2006

August 31st, 2006

New York • Paris • London

Private Equity Focus
Freeman & Co. LLC

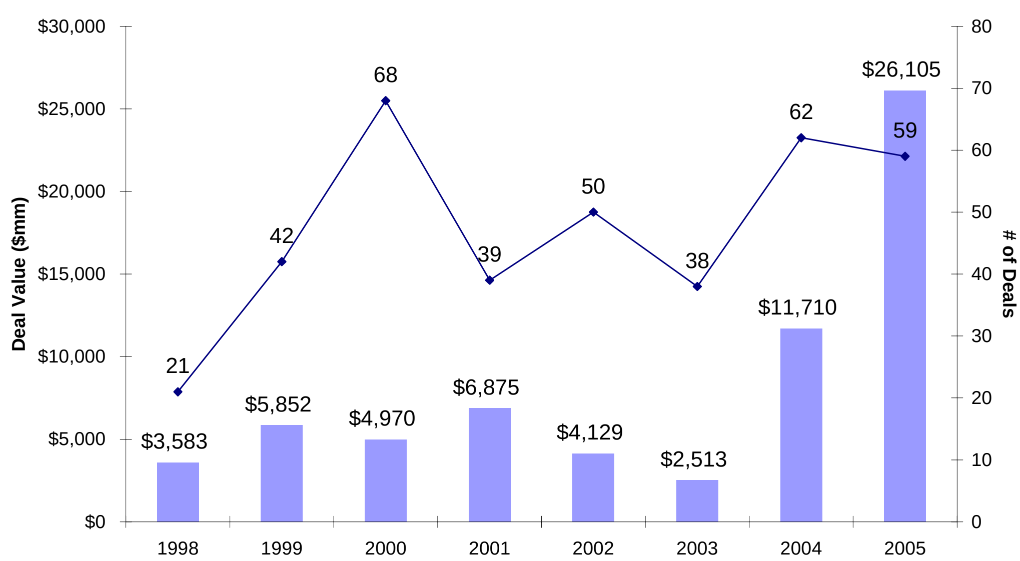
Inaugural Issue: Buyouts Breakout

Welcome to Freeman & Co's inaugural Private Equity newsletter. This is the latest newsletter in Freeman's library, accompanying our reports on the asset management and broker-dealer segments, as well as other independent research reports. Our activity and expertise in private equity has grown rapidly in 2006, largely due to our frequent discussions with firms who actively operate in the space. Our coverage efforts not only include working with the private equity firms seeking investments, but also the portfolio companies reviewing potential crystallization events or seeking new capital.

Freeman & Co. has managed to leverage its domain expertise in the financial institution groups ("FIG") space, and act as a resource to the booming private equity community. Therefore this newsletter will focus on private equity in the world of FIG, while drawing from major themes in both private equity and FIG exclusively. The data, which is both internally and externally sourced, reflects the activity of private equity firms that specialize in FIG and are covered by Freeman & Co. Detailed below are compositional facts regarding our data:

- 76 private equity firms covered
- 650 combined private equity transactions
- Over $70 billion in combined disclosed deal values
- Breakdown of six FIG sub-industries: asset management, insurance, banks & brokers, financial business services, processing and financial technology

Private Equity Deal Volume in Financial Institutions (1998-2005)



Sources: Company websites, CapIQ, Bloomberg, Freeman & Co.

Inside this Issue:

Indices at 8/31/06:

DJIA	11,381
Nasdaq	2,184
S&P 500	1,304
FTSE 100	5,906
10 Year US Treasury Bond Yield	4.72%
USD per GBP	$1.90
USD per EUR	$1.28

Press Release:

Freeman & Co. Opens London Office

New York, NY - June 26, 2006 – Freeman & Co., LLC appoints James G. Hatchley as head of its new London office to spearhead growth in Europe.

Mr. Hatchley will act as MD & COO of Europe. James has over 14 years of investment banking and consulting experience and has advised a wide range of global financial services companies on M&A transactions and strategic development.

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Themes

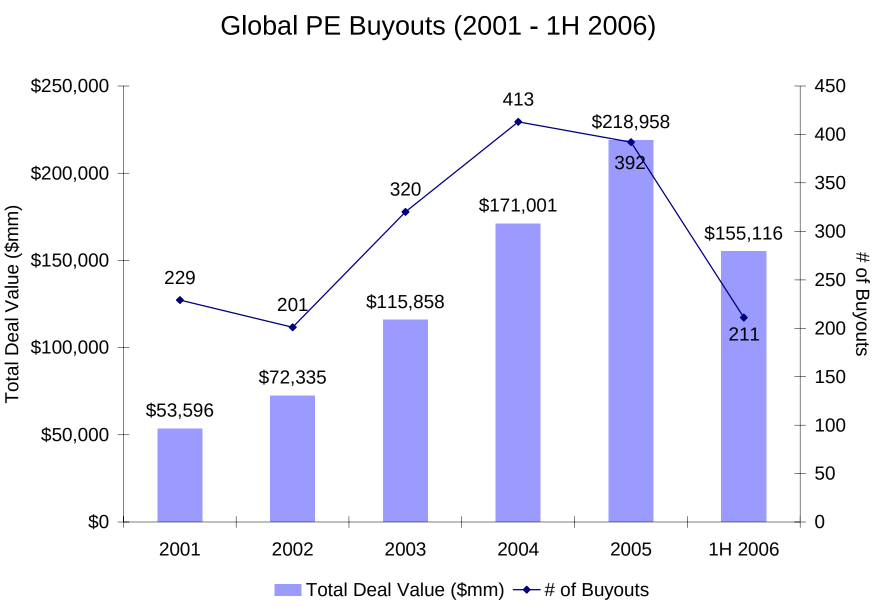
The volume of activity in the private equity sector outperformed even the loftiest forecasts of the past 18 months. Beginning in 2005 and escalating in 2006, the buyout market expanded to levels not reached since KKR's 1989 RJR Nabisco LBO. Confidence in the capital markets along with low interest rates and an abundant supply of cash propelled private equity investment towards new heights. 2004 was a comeback year, where private equity volume returned to levels not previously reached since the technology boom of 2000. There was differing views among participants whether this kind of activity could be sustained, yet in looking back at the past eighteen months, private equity has entered a new era with many multi-billion dollar deals.

In addition, there is a resurgence of private equity investments in the FIG space. With transformational shifts occurring in several key areas of FIG, the need for capital becomes apparent. As the past two years have demonstrated, private equity is willing to invest large amounts of capital into FIG. We see private equity becoming a mainstream solution for various types of firms in FIG, whether it is asset managers, broker/dealers, service and processing firms, banks or insurance companies. In this newsletter, we examine the historical industry trends to achieve a better understanding of what has happened and forecast what the future will hold for private equity investments in financial services.

The positive growth of the capital markets along with a low interest rate environment made optimal conditions for private equity firms to restart their investment cycle. Beginning in 2003, firms started to develop and eventually implement their recovery strategy after the tumultuous prior years. The dual effect of the 'technology bubble' and the tragic events of September 11th, proved very detrimental to the markets and to the private equity sector. The weakness of the capital markets and the budget constraints of strategic acquirers limited the exit opportunities for many private equity investments. Yet during this time, many firms 'waited out the storm' and fine-tuned their investment theses. Some firms continued to invest through the cycle and will probably do very well from such discipline. Those who waited out the cycle found appealing investing conditions emerge at the beginning of 2004. At this time, the federal funds rate was at an unprecedented low of 1.00% and the Dow Jones was up 45% from its low of 7197 in October of 2002.

Market conditions weren't the only factor to provide private equity its boost. There were also strategic issues with privatizing companies. Executives found that operating a private company was a more serene and fruitful experience than a public company from both a management and financial perspective. Free from the reigns of public shareholders and regulations, private companies offer executives the opportunity to be more creative, independent and nimble with the organization they manage. Prior to 2000, private equity investments generally came in the form of venture capital. America's venture capitalists were the envy of the world for developing firms such as Intel and Google. The success of the public markets eliminated the need or demand for buyouts, and the failure of RJR Nabisco's 1989 LBO had stigmatized the concept.

Currently, buyouts of established companies have come to the forefront of private equity while venture capital has reverted into a more specialized tool. Now less than 20% of private equity proceeds go towards providing venture capital for young firms. As private equity firms raise multi-billion dollar funds, buyouts become a necessity instead of a want. More of the middle market focused firms have increased their minimum investment to be able to fully invest their current funds.

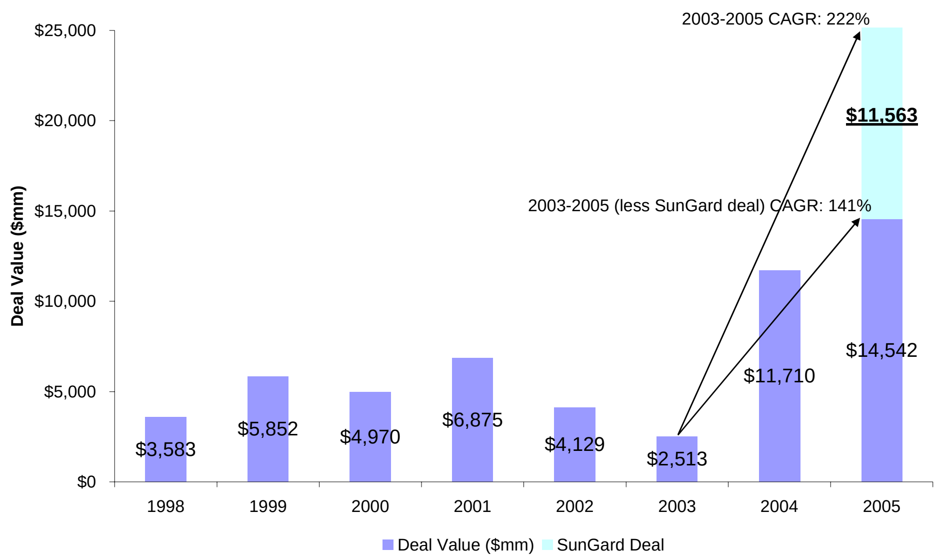


Sources: Freeman & Co., Thomson Financial

Signature FIG Buyout: SunGard Data Systems

Many buyout funds are starting to realize excellent returns on their investments with IRR's as high as 70% for the top performers. The premier deal in 2005, which sparked the buyout market in the FIG space, was the LBO of SunGard Data Systems. At the time of this deal, the consortium led by Silver Lake Partners entered into the largest buyout since RJR Nabisco's LBO in 1989. The poor return of the RJR Nabisco buyout, along with the rise of venture capital and the equity markets, caused the long time gap between the two mega-LBOs. The SunGard buyout, announced in March 2005, would act as a pioneer of the buyout market's rapid ascension to $10+ billion deals.

PE Deal Value in FIG from 1998 to 2005
(showing impact of SunGard deal)



Sources: Company websites, CapIQ, Bloomberg, Freeman & Co

Largest Buyouts Announced

Firm	Value* $billions	Date Announced
HCA Inc.	$33.0	7/24/06
RJR Nabisco	$31.4	1989
Kinder Morgan	$27.0	5/29/06
TDC A/S	$15.3	11/30/05
Hertz Corp.	$15.0	9/12/05
Univision	$12.3	6/27/06
SunGard	$11.6	3/28/05
VNU NV	$10.6	3/8/06
Dex Media	$7.1	8/20/02
Toys R Us	$6.6	3/17/05
Amadeus	$5.8	3/11/05

*Total Deal Proceeds includes assumed debt
Source: Bloomberg

Deal Summary: LBO of SUNGARD DATA SYSTEMS	
($millions)	LTM 3/31/2006
Revenue	$4,058
EBITDA	$1,096
Consortium	KKR
Bain	Providence
Blackstone	Silver Lake*
Goldman	TPG
LBO value	$11,043
Total Proceeds	$11,563
Announced	3/28/2005
Completed	8/11/2005

*led buyout effort

New Challenge

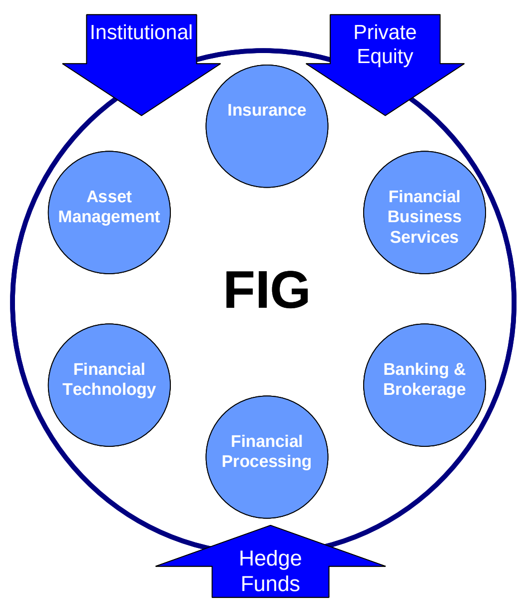
A new challenge present for private equity firms, especially in regards to potential buyout targets, is the invasion of hedge funds. There are many reasons for the increased activity of hedge funds into what has traditionally been the private equity arena. Bloated balance sheets, aggressive competition among strategies, lack of unique equity opportunities and strong exit valuations have driven hedge funds to compete with private equity firms for deals. However many potential investment targets are not convinced that active hedge fund managers have all the solutions. The prior track record, experience of management and investment time horizon are key components that favor private equity over a hedge fund investment.

Capital Needs
- Acquisitions
- Liquidation of Owners' Position
- Organic Growth
- Research & Development

Advantages to PE Involvement
- Long-term investment focus
- Individuals with specific industry experience
- Relationships in the industry with similar firms
- Proven ability to grow and enhance firms

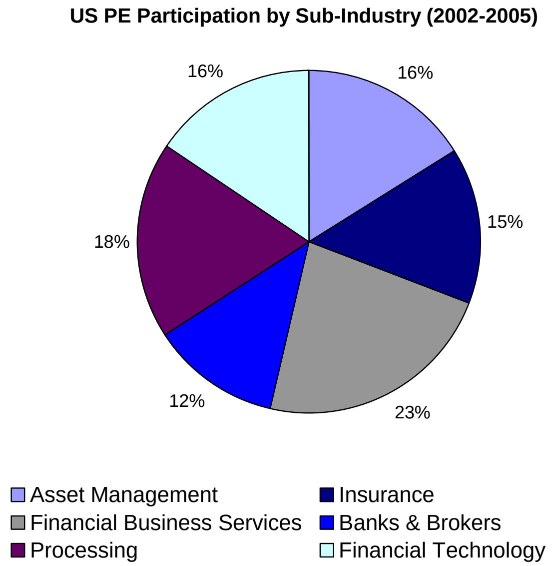
Traditional Sources
- Private Equity Firms
- Large Financial Institutions

Alternative Source
- Hedge Funds

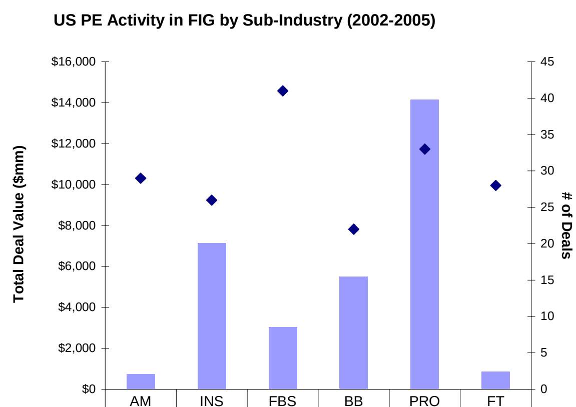


Investment Focus

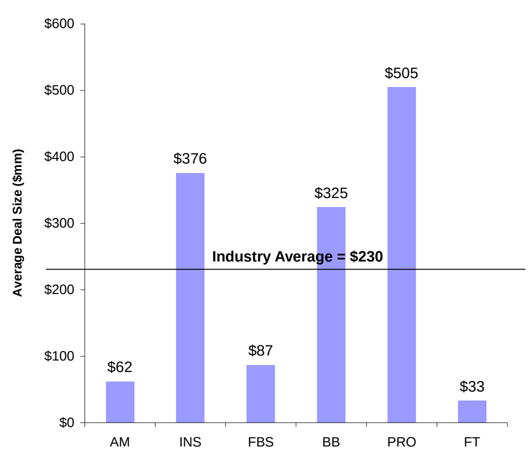
The number of private equity investments in the FIG space is rather balanced among its sub-industries. Financial Business Services have led the way in U.S. private equity deals, racking up 23% of the deals from 2002 to 2005. This sub-industry is made up of several segments including consumer finance, specialty finance and information services, among others. The lead of Financial Business Services, however, is not significant. The chart on the right shows that the other sub-industries pull in comparably sized pieces of the pie. However, when analyzing the average deal size of each industry, we start to see a rift as to where U.S. private equity is investing within the FIG universe in terms of dollars, not deals. The average investment from 2002 to 2005 for all FIG industries was $230 million. The average private equity investment in Financial Technology firms during that same period was $33 million, where Financial Processing firms averaged investments of $505 million. This is largely attributed to the fact that technology firms are earlier stage investments which require significantly less cash than a buyout.



Many technology firms turn to private equity for working capital to develop beyond their initial business plan. This capital is used to invest in research and development, branding, and growth. Financial processing firms, on the other hand, possess many operational overlaps, making the industry more prone to buyouts and acquisitions. Smaller firms who offer similar and/or complementary services are consistently being absorbed by larger ones. As these firms grow and develop, they become extremely attractive targets to the larger industry leaders who need to fill a gap.



	AM	INS	FBS	BB	PRO	FT
Total Deal Value ($mm)	$745	$7,147	$3,052	$5,517	$14,147	$868
# of Deals	29	26	41	22	33	28



Sources: Company websites, CapIQ, Bloomberg, Freeman & Co.

Asset managers, insurers and services providers have attracted private equity investors with the dynamic nature of their sub-industries. From 2002 to 2005, firms in these areas combined for 96 private equity deals. With top-heavy businesses in these sub-industries becoming more prevalent, the need for size and capital grows. Among traditional and alternative asset managers, there is a continued need for scale as compression of management and performance fees continue. The insurance industry has suffered significant losses since Hurricane Katrina and is continuing to search for solutions via realignment, capitalization and startup reinsurance firms. Business service providers operating in the FIG space are also expanding, finding synergies and growth with other supplemental providers (e.g. Financial IT services merging with financial operations consultants). Banks & brokers have traditionally used large financial institutions for capital and acquisitions. However a recent trend indicates a reversal of this relationship, where large commercial banks divest their non-core investment banks and brokers, sometimes to a private equity firm via buyout.

AM: Asset Management; INS: Insurance; FBS: Financial Business Services; BB: Banks & Brokerages; PRO: Processing
FT: Financial Technology

Private Equity Trends

Private Equity investing in FIG has tracked the upward trend in overall private equity. Like all private equity, FIG PE experienced a huge upturn in 2004 to $11.7 billion in total deal value globally from $2.5 billion in 2003, up 366%. Private equity continued its rapid growth in 2005 with total deal value breaking $26 billion. The SunGard Data Systems deal in 2005 clearly explains most of the 123% increase from 2004; however when you remove the $11.563 billion of total deal proceeds, 2005 still saw $14.5 billion in total PE deal value for financial institutions.

Private Equity Investment in Financial Institutions by Sub-Industry (2002-2005)

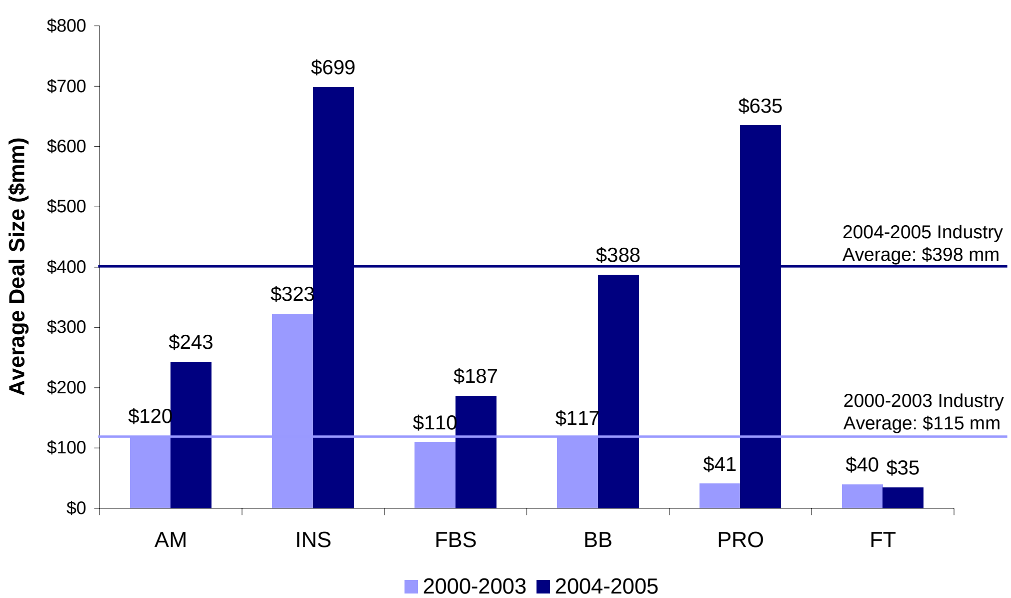
	2002				2003				2004				2005			
Financial Sector	**Value**	**Val %**	**Deals**	**Deal %**	**Value**	**Val %**	**Deals**	**Deal %**	**Value**	**Val %**	**Deals**	**Deal %**	**Value**	**Val %**	**Deals**	**Deal %**
Asset Management	$416	10.1%	8	16.0%	$151	6.0%	6	15.8%	$729	6.2%	9	14.5%	$1,700	6.5%	12	20.3%
Insurance	$2,269	55.0%	9	18.0%	$451	17.9%	7	18.4%	$7,808	66.7%	8	12.9%	$4,767	18.3%	14	23.7%
Financial Business Services	$456	11.1%	15	30.0%	$1,322	52.6%	8	21.1%	$1,493	12.8%	16	25.8%	$2,244	8.6%	9	15.3%
Banks & Brokers	$776	18.8%	7	14.0%	$88	3.5%	2	5.3%	$224	1.9%	9	14.5%	$4,429	17.0%	5	8.5%
Processing	$137	3.3%	6	12.0%	$162	6.4%	5	13.2%	$1,235	10.6%	13	21.0%	$12,734	48.8%	12	20.3%
Financial Technology	$75	1.8%	5	10.0%	$339	13.5%	10	26.3%	$220	1.9%	7	11.3%	$231	0.9%	7	11.9%
Grand Total	$4,129	100.0%	50	100.0%	$2,513	100.0%	38	100.0%	$11,710	100.0%	62	100.0%	$26,105	100.0%	59	100.0%
% Change From Previous Year	-40%		32%		-39%		-24%		366%		63%		123%		-5%	

The big boom in total deal value is largely due to the return of large buyouts. More private equity deals, in FIG especially, are coming in the form of a management buyout (MBO) or leveraged buyout (LBO). This was due to the excellent returns buyout funds had been reporting in the early half of the decade. This led to investor cash flowing to buyout funds that were raising amounts higher than their intended targets. On the flip side of the coin, the companies that have been bought out have become healthier, nimbler and more profitable businesses in a relatively short period of time (3-5 years). Also, the size of a non-buyout private equity investment pales in comparison to the size of a buyout.

The chart below shows how much the average deal size has shot up in the last six years. The enormous boost in 2004 and 2005 in Processing is largely due to SunGard, but the increase is also shown across the board with the exception of financial technology. Technology firms are rarely bought out compared to other types of firms, and usually turn to private equity for startup and venture capital first.

It should also be noted that private equity in FIG works well because of the nature of the FIG landscape. Relative to other macro-industries, FIG's structure is one where smaller pieces fit well into bigger pieces. For example a West Coast retail broker fits well into a national commercial bank that has Midwest and East Coast brokerage services, or a new electronic processing firm fits well into an older credit card company. FIG creates an atmosphere for mixing and matching, with the goal of optimizing business with the right pieces. Private equity fits right into that by providing flexible and nimble financing options. This activity needs to be driven by capital, whether it is a capital raise or buyout, private equity is the ideal vehicle.

Average PE Deal Size by FIG Sub-Industry
(2000-2003 vs. 2004-2005)



Sources: Company websites, CapIQ, Bloomberg, Freeman & Co.

AM: Asset Management; INS: Insurance; FBS: Financial Business Services; BB: Banks & Brokerages; PRO: Processing; FT: Financial Technology

Financial Services Trends

The resurgence of private equity investment in financial institutions can also be explained by the various trends that are occurring within the financial services industry itself. With major shifts occurring in several key areas of FIG, the need for financial services becomes evident. Online brokerage houses, alternative investment platforms and fund administrators are a few examples of sub-industries undergoing major consolidation efforts. The innate characteristics of the business models, the 'sticky' client base and the private equity participant's knowledge of FIG make this a popular area. Meanwhile, we have noticed the reversal of the post-1998 'Glass-Steagall repealed' trend, with many large retail banks now divesting non-core broker-dealers after failed attempts to cross-sell and synergize with the investment banking world.

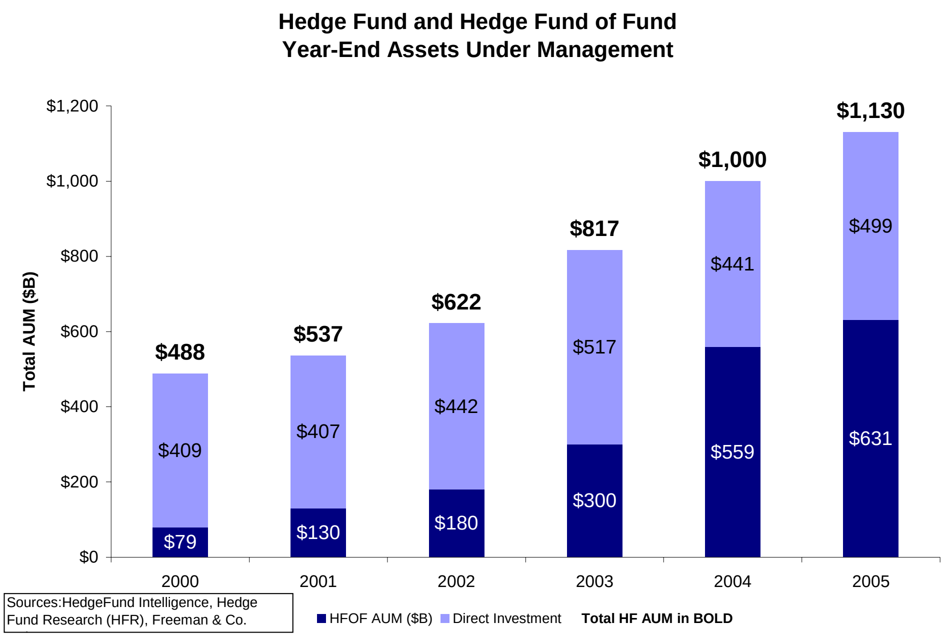
There are several themes and trends in the financial industry that have contributed to the strong results in M&A and private equity deals in recent years.

Broadening Asset Management:

- Asset managers that have either acquired or grown alternative platforms have generally experienced significant growth in assets under management ("AUM"). These platforms include hedge funds, hedge fund of funds, private equity fund of funds, derivatives, structured products and real estate
- Traditional asset managers continue to grow their AUM but are facing challenges from alternative firms, hedge funds and electronic distribution platforms

Convergence in Alternatives:

- Investments in hedge funds, fund of funds, ETFs and derivatives continue to grow at staggering rates
- Small, independent hedge funds can thrive with a creative and innovative investment strategy. Funds of funds, however, allocate assets into hedge funds; so a small, independent platform would have a very hard time luring investors away from the mega-funds of funds that are continuing to buy each other. Thus we are witnessing a consolidation effort via acquisitions in the fund of funds industry
- As new funds and products such as ETFs and Structured Products continue to grow rapidly, the need for capital and synergy from a large parent becomes increasingly evident



Sources:HedgeFund Intelligence, Hedge Fund Research (HFR), Freeman & Co.

Independent Managers in Largest HFOF

by AUM	2002	2005
In Top 10	3	1
In Top 25	8	7
In Top 50	27	18

Broker-Dealer Divestitures:

- In 1998, the six-decade old Glass-Steagall Act was repealed by Congress. For the first time since the Great Depression, commercial banks were getting into investment banking. The last of the 1990's saw most large banks in the United States purchasing independent investment banking shops
- In 2002, several of these large banks began divesting 'non-core' assets, notably investment banks and broker-dealers, in light of these units doing little to create synergies and cross-sell services. The idea of creating 'one-stop shops' for all financial services proved less effective for some firms

Financial Services Trends

Fund Administrators Consolidation:

- Mutual funds, hedge funds and other investment managers rely on four key service providers: third-party administrators, prime brokers, attorneys and accountants
- We have noticed convergence in this space, most notably with hedge fund administrators acquiring each other in order to provide a 'one-stop shop' for hedge fund services
- In addition, smaller service and support companies that provide risk, portfolio analysis and other tools are being acquired

Insurance Business / Capital Realignment:

- The insurance industry continues to optimize the combination of expertise, ownership and access to capital
- Low tax jurisdictions remain popular, particularly Bermuda, and relocation is often associated with a change in at least some of the key investors
- The separation of primary and reinsurance disciplines continues as the purity of the business model is prioritized by management
- Traditional corporate purchasers remain cautious of the benefits of M&A, leaving the door open to more creative structuring/ownership possibilities for 'loose' assets

Market Overview

The Financial Industry possesses one lasting characteristic: cash. As technologies and new ideas come and go, the need for banks, processed transactions, money managers, insurance, services, etc. will always be large. The outlook for financial firms is consistently promising. Even in the trough of a market cycle, the financial industry's bottom is a ceiling compared to many other industry sectors. As telecom and energy heat up and retail and media cool off, the lasting effect of these trends seem insignificant as most markets possess a long-run 'evening out effect' (a thought along the same lines as boom-and-bust cycles).

In terms of announced global M&A transactions for the first half of 2006, financial firms conducted 1,927 deals worth $296 billion, good for 15.7% of the M&A market. Compared with the first half of 2005, that's a significant increase in total deal value of 22.3%, despite 69 fewer deals. Despite the strong increase from its first place standing in total deal value for the first half of 2005, financials fell to second place for the first half of 2006, behind energy and power. This is a testament to how strong energy has been with the current state of oil.

Worldwide Announced M & A Target Industry Comparison

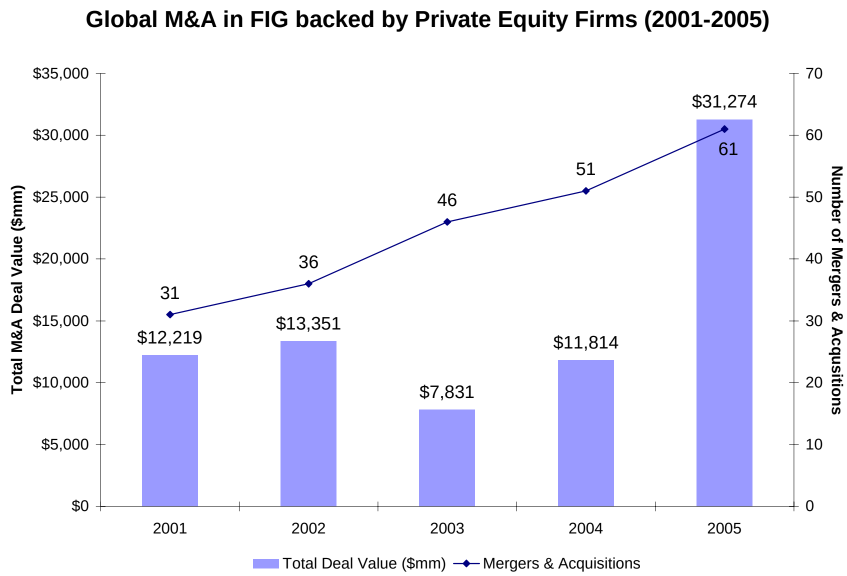
	2006 - First Half				2005 - First Half			
Target Macro Industry	**Rank**	**Total Deal Value ($millions)**	**Market Share**	**Number of Deals**	**Rank**	**Total Deal Value ($millions)**	**Market Share**	**Number of Deals**
Energy and Power	1	$319,578	17.0%	1,275	2	$183,696	13.9%	1,220
Financials	2	$296,041	15.7%	1,927	1	$242,140	18.3%	1,996
Telecommunications	3	$252,816	13.4%	531	3	$108,639	8.2%	534
Materials	4	$207,507	11.0%	1,843	7	$89,378	6.7%	1,806
Industrials	5	$174,734	9.3%	2,283	8	$88,418	6.7%	2,293
Media and Entertainment	6	$144,808	7.7%	1,435	6	$105,473	8.0%	1,426
Healthcare	7	$115,874	6.2%	988	11	$71,840	5.4%	1,014
Real Estate	8	$113,455	6.0%	932	5	$105,567	8.0%	876
Retail	9	$78,831	4.2%	808	9	$83,267	6.3%	825
High Technology	10	$63,661	3.4%	2,518	10	$80,888	6.1%	2,427
Consumer Products and Services	11	$57,491	3.1%	1,821	4	$107,400	8.1%	1,801
Consumer Staples	12	$55,210	2.9%	1,126	12	$58,670	4.4%	1,130
Government and Agencies	13	$152	0.0%	21	13	$160	0.0%	20
Industry Total		**$1,880,158**	**100.0%**	**17,508**		**$1,325,535**	**100.0%**	**17,368**

Source: Thomson Financial

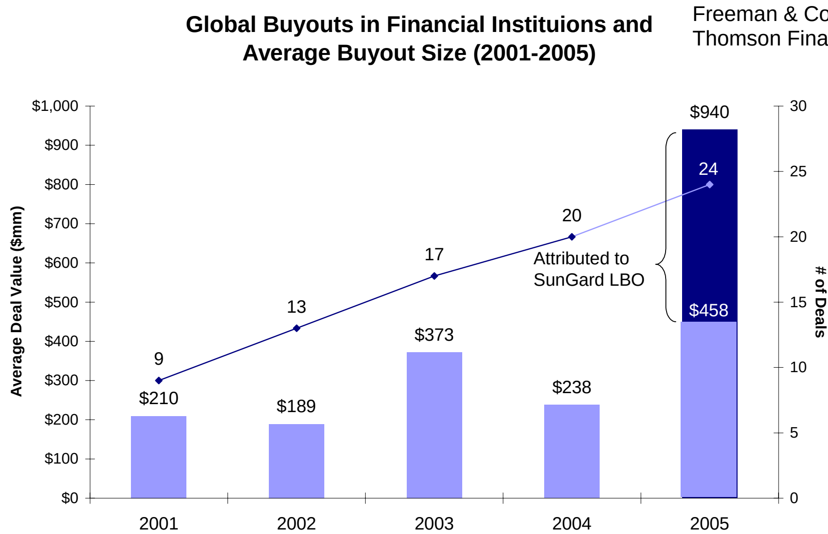
Investing Advantages

The FIG universe offers private equity firms great investment opportunities in varying sub-industries. As we've discussed, FIG is going through multiple transitions, large and small, in several different areas. The previous sections focused on the larger trends happening in the industry. Additional trends developing 'under the radar', involve online brokerage houses, financial technology firms and financial processing firms. Online brokers are experiencing significant consolidation in order to battle the overcrowded market that has compressed fees and commissions (and therefore revenues). Financial processing firms are suddenly realizing the need for more specialized services because financial technology has created more channels for performing specialized transactions. As a result, firms operating in the financial technology space have developed the ability to reshape other industries, and have stimulated the need for self-growth. These transitions provide ample opportunities that institutional investors simply cannot seize on their own. In many cases, it is fruitful for private equity firms to capitalize on these industry trends, whether it's a large buyout or early stage funding, taking into consideration the industry and valuations.

The dynamic nature of FIG not only allows it to provide excellent investments for private equity, but the global M&A market is heavily supporting FIG as well. Private equity firms' involvement in the M&A process has been a strong and influential one. This trend has not been affected by the bearish markets of public equities (and to some extent private equity) that started in 2001. In fact since 2001, FIG M&A deals backed by private equity firms have gone up each year to 61 mergers worth over $31 billion in 2005 (shown on top graph). The average value of these deals has grown to $513 million in 2005, up significantly from $170 million in 2003. The bearish private equity markets did affect the average deal size (not the deal flow); in 2001 that figure was $394 million before hitting the 2003 low of $170 million. Going forward we see a further push by private equity to invest in financial firms because of the mileage left on many of the macro trends previously discussed. For example, the number of large commercial banks that have non-core investment banks and brokerages attached remains large.



Sources: Freeman & Co.; Thomson Financial



Financial firms have also been exposed to the rapid growth of leveraged buyouts. The number and size of buyouts in FIG has gone up significantly since 2001. The bottom graph shows the number of buyouts and average size of each buyout. As we have mentioned, 2005 reintroduced us to mega-LBO's. Despite some of the 2005 data being skewed by the SunGard LBO, we still notice an increase in average LBO size from $238 million in 2004 to $458 million in 2005 after factoring out the $11+ billion buyout.

European Expansion

Europe is a fundamentally different market from that in the US with fewer individual market segments and a higher incidence of conglomerate finance institutions that seem happy to operate across a number of FIG industry segments. This is also reflected in the nature of the private equity community in Europe with fewer specialist financial funds, although this is changing slowly.

The private equity community and especially the larger funds have not, however, been slow in capitalizing on opportunities in the FIG sector and in grooming internal Partner talent to become FIG specialists. In parallel, private equity firms have attracted a raft of senior industry executives to their senior advisory boards and overall the PE community has never been as well prepared as it is today to tackle FIG situations and help set the FIG industry agenda.

The private equity community in Europe has always had an interest in speciality FIG situations, although historically the focus has been biased towards firms with a technology focus or a focus on narrow speciality or niche markets. The application of private capital into regulated industries and situations only really became part of mainstream thinking post 9/11 as the PE community answered the call to arms from the insurance industry. Disproportionate time and effort was expended on understanding non-life insurance and the vagaries of insurance regulation and capital requirements and in taking advantage of the 'once in a cycle' investment opportunities that presented themselves. Over the last couple of years, the PE community focus on FIG has matured and broadened significantly both in terms of market segments and geography and now spans many capital intensive segments that were historically off limits. As a result, sizeable chunks of capital are now being committed to sector restructuring themes (e.g. life sector run-off and the growth in market and customer segmentation).

Resolution Life, although not a traditional private equity fund (rather a PE idea with institutional and hedge fund capital backing), has set a high bar for those with the ambition to redefine a segment of an industry. Other transactions have demonstrated the willingness of private equity investors to back the growth in speciality market and customer segments within the commoditized end of the retail FIG markets – Saga Group, the Automobile Association and Admiral are all good examples. All these deals demonstrate thought leadership from the PE community ahead of traditional FIG industry players and we see more of that to come.

There is also more of a focus on traditional asset management as an investable segment. Hellman & Friedman arrived on the map in a meaningful way with its acquisition of Gartmore Investment Management and also backed Mondrian in 2004. Before this, and before asset management became as trendy as it is in PE circles today, Apax unlocked Azimut in Italy and made a tidy sum for its limited partners in the process.

So what next in Europe? It is clear to us that the last five years have been the warm-up act. FIG is ripe for further private equity activity:

1. Segmentation across the FIG market, both in terms of products and customer groups, has a long way to go
2. Balance sheets across the Continent and in the UK remain fundamentally inefficient and will provide significant potential for financial engineering to finance transaction activity either in specific segments (e.g. product spin-offs) or in relation to whole firm activity
3. Size is no longer a safety blanket for the industry; with few exceptions no one is too big to avoid the admiring glances of the PE community

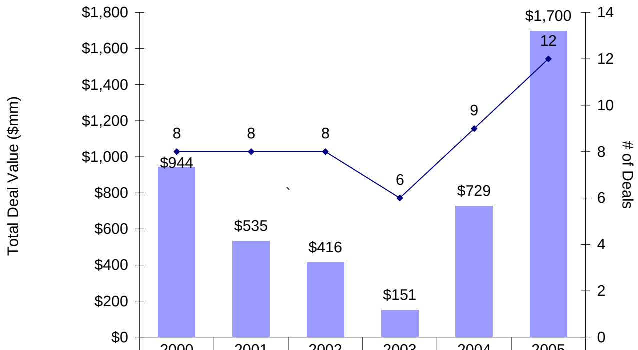
Largest European Private Equity Deals in FIG

Private Equity Firm	Portfolio Company	Nation	Sub-Industry	Deal Value ($mm)	Date Closed
CVC Capital Partners	Automobile Association Limited	UK	Insurance	$2,965	9/30/2004
JC Flowers & Co.	NIBC N.V.	the Netherlands	Investment Banking	$2,594	12/14/2005
Charterhouse Capital Partners	Saga Group	UK	Insurance	$2,407	10/4/2004
Sun Capital Partners Ltd.	HHG PLC, Life Insurance Business	UK	Insurance	$1,989	4/13/2005
Apax Partners Worldwide	Travelex	UK	Financial Business Services	$1,800	8/3/2005
Resolution PLC	Resolution Life Group Ltd.	UK	Asset Management	$1,518	9/6/2005
Hellman & Friedman	Gartmore Investment Management Plc	UK	Asset Management	$936	5/25/2006
XL Capital Investment Partners	Winterthur International	Switzerland	Insurance	$600	2/16/2001
Nikko Principal Investments	Cabot Financial (Europe) Limited	UK	Financial Business Services	$480	4/10/2006
Corsair Capital LLC	ForeningsSparbanken AB (OM:FSPAA)	Sweden	Banks & Brokerages	$450	6/1/1994
Apax Partners Worldwide	Azimut	Italy	Asset Management	$367	7/1/2002

Sources: Company websites, CapIQ, Bloomberg, Freeman & Co.

Sub-Industry Investment Analysis

PE Invesments in Asset Management (2000-2005)

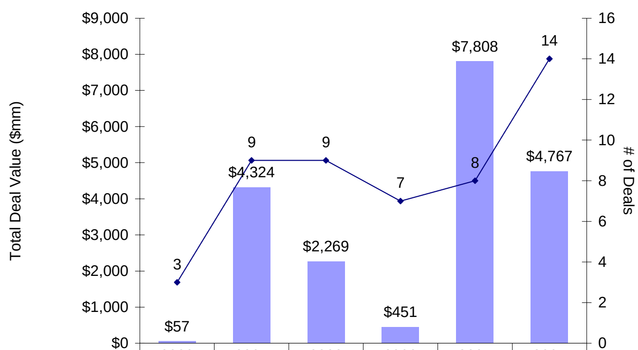


	2000	2001	2002	2003	2004	2005
Total Deal Value ($mm)	$944	$535	$416	$151	$729	$1,700
Average Deal Size	$135	$134	$139	$50	$146	$340
# of Deals	8	8	8	6	9	12

ASSET MANAGEMENT

- There were 12 asset management PE deals done in 2005, up from 6 deals in 2003 and the highest amount this decade
- After three straight years of decline in total deal value, asset management deal value jumped 389% in 2004 and 133% in 2005
- Average deal size had also declined sharply to $50 million in 2003, right before leaps to $146 million in 2004 and $340 in 2005
- Two signature deals in past 18 months: Resolution's $1.5 billion buyout of Resolution Life Group in September 2005 and Hellman & Friedman's $936 million buyout of Gartmore Investment Management (announced May 2006)

PE Invesments in Insurance (2000-2005)

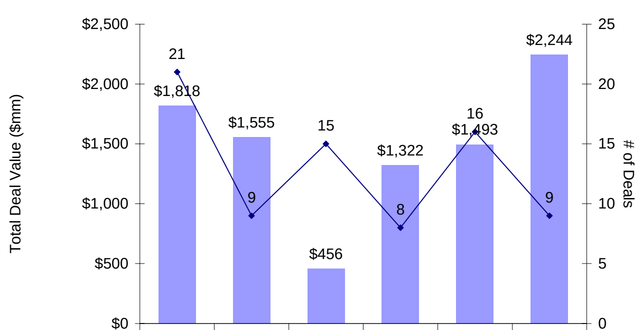


	2000	2001	2002	2003	2004	2005
Total Deal Value ($mm)	$57	$4,324	$2,269	$451	$7,808	$4,767
Average Deal Size	$19	$480	$378	$113	$976	$477
# of Deals	3	9	9	7	8	14

INSURANCE

- After a paltry 2003, insurance deal value has experienced huge years in 2004 and 2005
- Fourteen private equity deals were completed with insurance companies in 2005, the most this decade; up significantly from the 8 deals in 2004
- 2001 was a big year for insurance companies, with private equity investments of $1.5 and $1.2 billion into two insurance companies
- In 2004, two large buyouts occurred in the UK: CVC led the $3 billion buyout of The AA, and Charterhouse bought out Saga for $2.4 billion
- We expect significant growth here for 2006 and 2007 as insurance companies retool and rebuild post-Katrina

PE Invesments in Financial Business Services (2000-2005)



	2000	2001	2002	2003	2004	2005
Total Deal Value ($mm)	$1,818	$1,555	$456	$1,322	$1,493	$2,244
Average Deal Size	$107	$173	$33	$189	$115	$321
# of Deals	21	9	15	8	16	9

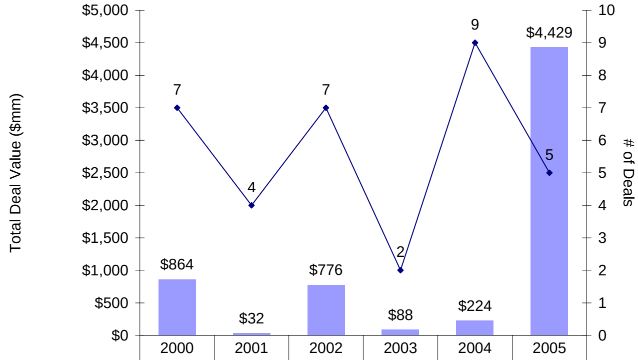
Sources: Company websites, CapIQ, Bloomberg, Freeman & Co.

FINANCIAL BUSINESS SERVICES

- Total deal value has gone up each year since 2002 with a CAGR of 70%
- 2005 was highlighted by the $1.8 billion buyout of foreign exchange provider Travelex Holdings by Apax Partners
- A major hit in 2002 dropped total deal value 71%, despite an increase from 9 to 15 in deals completed
- Business services typically require growth capital rather than a buyout; this in an effort to grow and expand their services, capacity, reach, efficiency, platform, etc
- There is no noticeable trend for the number of deals due to the various types of specialty services that this sub-industry provides

Sub-Industry Investment Analysis

PE Invesments in Banks & Brokerages
(2000-2005)

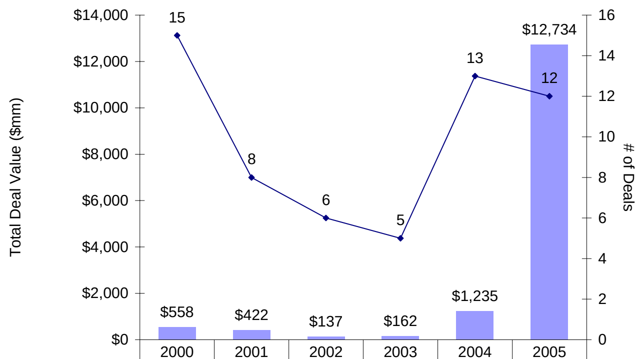


	2000	2001	2002	2003	2004	2005
Total Deal Value ($mm)	$864	$32	$776	$88	$224	$4,429
Average Deal Size	$144	$8	$194	$88	$28	$1,107
# of Deals	7	4	7	2	9	5

BANKS & BROKERS

- Private equity has had trouble penetrating this space in the past, due to most brokers and retail and investment banks receiving sufficient capital from commercial banking parents. Regulation also plays a role in this
- We are, however, beginning to see growth in this sub-industry, not just by private equity
- Two large buyouts prompted a breakout year in 2005: TPG and Hellman & Friedman bought out securities broker Linsco Private Ledger (LPL) for $1.5 billion, and JC Flowers acquired Dutch merchant bank NIB Capital N.V. for $2.6 billion

PE Invesments in Financial Processing (2000-2005)

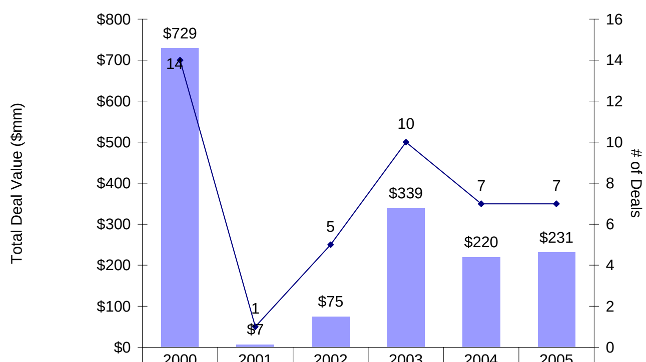


	2000	2001	2002	2003	2004	2005
Total Deal Value ($mm)	$558	$422	$137	$162	$1,235	$12,734
Average Deal Size	$40	$53	$27	$41	$103	$1,273
# of Deals	15	8	6	5	13	12

FINANCIAL PROCESSING

- Financial Processing firms typically require smaller private placement deals and capital raises
- Like Financial Business Services, small amounts of growth capital are sufficient for internal and organic growth, capacity widening, and expansion
- The SunGard Data Systems leveraged buyout ($11.563 billion) caused the 2005 total deal figure to jump out
- Despite the SunGard LBO, there was still a significant rise in deal value for the second straight year

PE Invesments in Financial Technology (2000-2005)



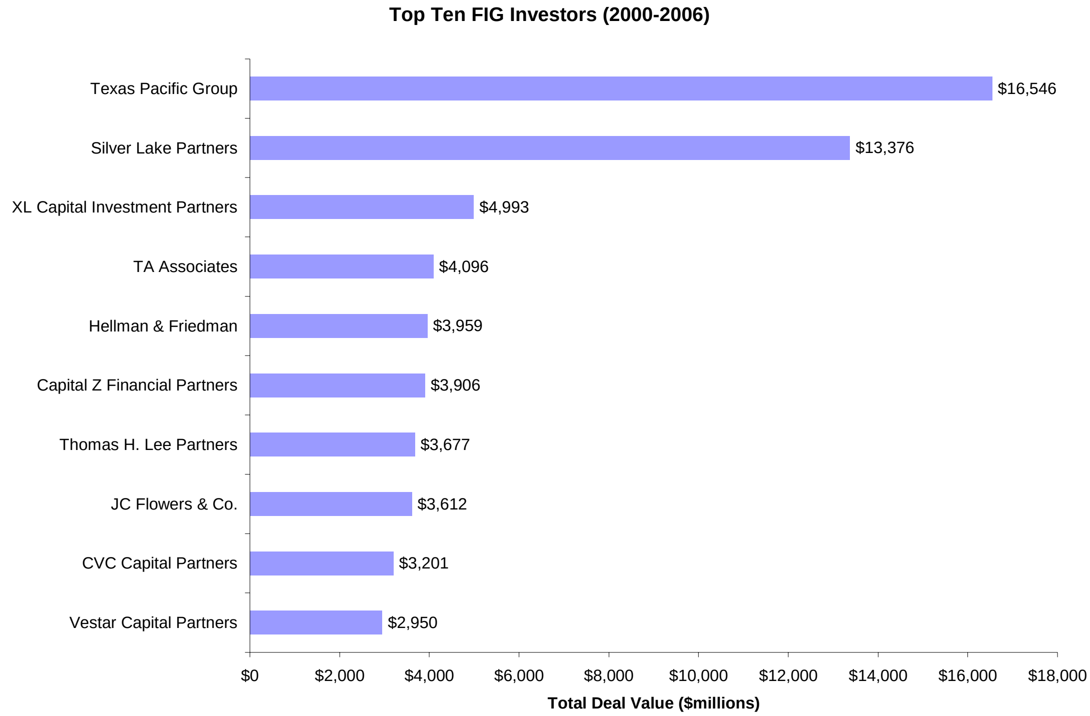
	2000	2001	2002	2003	2004	2005
Total Deal Value ($mm)	$729	$7	$75	$339	$220	$231
Average Deal Size	$52	$7	$15	$38	$37	$33
# of Deals	14	1	5	10	7	7

FINANCIAL TECHNOLOGY

- Private equity investment in financial technology has generally followed the course of the technology industry
- After a big year in 2000, with 14 deals totaling $729 million, 2001 saw a dramatic drop to one deal worth $7 million
- 2003 proved to be a resurgent year, grabbing ten deals totaling $339 million
- Stabilization in 2004 and 2005 shows uncertainty with investing private equity (specifically venture capital) into financial technology
- Buyouts are extremely rare in this space

Sources: Company websites, CapIQ, Bloomberg, Freeman & Co.

Freeman & Co. Coverage - Top Investors



($millions)	Total Deal Value	# of Deals	Average Disclosed Deal Size	Most Invested Industry	% of Total FIG Investment	2nd Most Invested Industry	% of Total FIG Investment	3rd Most Invested Industry	% of Total FIG Investment
Texas Pacific Group	$16,546	8	$2,364	PRO	73%	INS	18%	BB	10%
Silver Lake Partners	$13,376	8	$2,675	PRO	88%	BB	12%		
XL Capital Investment Partners	$4,993	19	$713	INS	89%	AM	10%	FBS	1%
TA Associates	$4,096	32	$186	BB	69%	FBS	14%	AM	6%
Hellman & Friedman	$3,959	10	$440	BB	38%	AM	29%	INS	21%
Capital Z Financial Partners	$3,906	49	$135	INS	72%	AM	12%	FBS	10%
Thomas H. Lee Partners	$3,677	9	$525	INS	60%	FBS	22%	PRO	14%
JC Flowers & Co.	$3,612	7	$903	BB	72%	FBS	25%	INS	3%
CVC Capital Partners	$3,201	3	$1,067	INS	93%	FBS	7%		
Vestar Capital Partners	$2,950	6	$983	INS	100%				

AM: Asset Management; INS: Insurance; FBS: Financial Business Services; BB: Banks & Brokerages; PRO: Processing
FT: Financial Technology

Data Sources

The data presented in this newsletter is calculated from the 76 private equity firms Freeman & Co. covers. Sources for the data include company websites, press releases, Bloomberg, Capital IQ, Thomson Financial and research reports.

Freeman & Co. Coverage

Completed M&A Transactions with Private Equity involvement:

Description of Freeman & Co. transactions and private equity firms involved with each

Buyout:

- Management buyout of Zurich Benchmark Series by Lyra Capital
  - Capital Z Financial Partners

Capital Raise:

- GTCR joined Bank of New York and Eze Castle Software to form a new company BNY ConvergEx Group
  - GTCR Golden Rauner, LLC
- Investment in Credit Research & Trading
  - Guggenheim Capital

Portfolio Exit:

- Purchase of Lava Trading by Citigroup
  - TA Associates
- Sale of Neovest to J.P. Morgan Chase & Co.
  - CCP Equity Partners
- Sale of Constellation Financial to Societe Generale:
  - Oak Hill Venture Partners
  - JP Morgan Partners
  - One Equity Partners
- Purchase of Guggenheim Alternative Asset Management by Bank of Ireland Asset Management
  - Guggenheim Capital
- Sale of Lyra Capital to Credit Agricole Structured Asset Management
  - Capital Z Financial Partners

Freeman & Co. Coverage – 76 Firms

Private Equity Firm	City	Country
3i Group	London	UK
ABN AMRO Capital Limited	Amsterdam	Netherlands
ABS Capital Partners	Baltimore	USA
Advent International	Boston	USA
Allied Capital	Washington	USA
American Capital Strategies	Bethesda	USA
Ameriquest Capital Group	Orange	USA
Apax Partners Worldwide	London	UK
Aquiline Capital Partners	New York	USA
ArrowPath Venture Capital	Redwood Shores	USA
BA Venture Partners	Foster City	USA
Barclays Private Equity Limited	London	UK
Bridgepoint Capital Limited	London	UK
Capital Z Financial Partners	New York	USA
Carlyle Venture Partners	Washington	USA
Castle Harlan	New York	USA
CCP Equity Partners	Hartford	USA
Centerbridge Partners	New York	USA
Centre Partners Management	New York	USA
Century Capital Management	Boston	USA
Charlesbank Capital Partners	Boston	USA
Charterhouse Capital Partners	London	UK
Chess Ventures	San Francisco	USA
CIBC Capital Partners	Toronto	Canada
Corsair Capital LLC	New York	USA
CVC Capital Partners	London	UK
Edison Venture Fund	New Jersey	USA
Endicott Group	New York	USA
Evercore Partners Inc.	New York	USA
Financial Technology Ventures	San Francisco	USA
Friedman Fleischer & Lowe	San Francisco	USA
Frontenac Company	Chicago	USA
General Atlantic	Greenwich	USA
GTCR Golder Rauner	Chicago	USA
Guggenheim Partners	Chicago	USA
Hellman & Friedman	San Francisco	USA
Hermes Private Equity	London	UK
Infinity Point	New York	USA
Insight Venture Partners	New York	USA
J.P. Morgan Partners	New York	USA
JC Flowers & Co.	New York	USA
Kohlberg & Company	Mt. Kisco	USA
Lightyear Capital	New York	USA
Lindsay Goldberg & Bessemer	New York	USA
Lithos Capital Partners	Westport	USA
Lovell Minnick Partners	New York	USA
Madison Dearborn Partners	Chicago	USA
Menlo Ventures	Menlo Park	USA
NewSmith Capital Partners	London	UK
Nikko Principal Investments	London	UK
Oak Hill Venture Partners	Menlo Park	USA
One Equity Partners	New York	USA
Orca Bay Partners	Seattle	USA
Parthenon Capital	Boston	USA
Phoenix Equity Partners	London	UK
Promethean Investments	London	UK
Questor Management Company	New York	USA
Resolution	London	UK
Rosemont Investment Partners	West Conshohocken	USA
Silchester International Investors	London	UK
Silver Lake Partners	New York	USA
Stone Point Capital	Greenwich	USA
Strategic Investment Group	Arlington	USA
Summit Partners	Boston	USA
Sun Capital Partners	London	UK
Susquehanna International Group	Bala Cynwyd	USA
TA Associates	Boston	USA
Technology Crossover Ventures	Palo Alto	USA
Texas Pacific Group	Fort Worth	USA
Thomas H. Lee Partners	New York	USA
Venturion Capital	New York	USA
Vestar Capital Partners	New York	USA
Vulcan Capital	Seattle	USA
Warburg Pincus	New York	USA
Welsh, Carson, Anderson & Stowe	New York	USA
XL Capital Investment Partners	Hamilton HM 11	Bermuda

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Recent Publications by Freeman & Co.

Broker-Dealer Focus

- *Back in Black* (August 2006)
- *Landmark Deals Signal Growth of Electronic Trading Flow* (July 2005)
- *Mega Deals Return* (January 2005 Supplement)
- *2004 Provides Foundation for Expanded Deal Volumes* (January 2005)
- *Inaugural Issue: Midyear Update* (August 2004)

Asset Management Focus

- *Déjà vu (All Over Again)* (August 2006)
- *Size Matters* (March 2006)
- *Changing Tides II* (August 2005)
- *A Slow Year, Focused on Repositioning* (February 2005)
- *Alternatives Go Mainstream, Move Up the Charts* (August 2004)
- *Will Strong Returns Lead to Increases in Industry Activity?* (March 2004)
- *Struck by Scandal, but Buoyed by Bounce in Returns* (October 2003)
- *A Nadir or Not? Lowest Deal Levels in over 6 Years* (May 2003)

Private Equity Focus

- *Inaugural Issue: Buyouts Breakout* (August 2006)

Thematic Industry Focus

- *Are Hedge Fund M&A Deals a Sustainable Trend?* (January 2005)
- *Convergence in Alternatives* (November 2004)
- *Credit: The Rite of Passage for Investment Banks?* (June 2003)

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