Report #21
1st Half 2010

September 2010

New York • London

Asset Management Focus
Freeman & Co. LLC

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Indices at 6/30/10:

DJIA	9,744
Nasdaq	2,109
S&P 500	1,031
FTSE 100	4,917
10 Year US Treasury Bond Yield	2.97%
USD per GBP	$1.22
USD per EUR	$1.49

Slogging through the Mud

The economy and unemployment should be doing better at this point in a cycle; instead we're stuck in the mud. We think there are four main issues holding us back: (1) huge uncertainty being created by Washington causing businesses to postpone new investments, (2) fear of the federal budget deficit and the implications on future taxes, (3) continued deleveraging at the investor level (e.g. banks, insurers, pensions), and (4) consumer deleveraging through debt pay downs and higher savings. The deleveraging at the investor and consumer levels is positive for the economy's long-term health, but will take time. This leaves Washington with the challenges of inspiring business confidence again and addressing the long-term budget deficit woes. We're waiting....

Performance as of June 30, 2010

Index	Total Return 1H 2010	Total Return 1 Year	Total Return Annualized 3 Yr	Total Return Annualized 5 Yr
S&P 500	-6.7%	14.4%	-9.8%	-0.8%
NASDAQ	-7.0%	14.9%	-6.8%	0.5%
FTSE 100	-9.2%	15.7%	-9.4%	-0.8%
BGC*	5.5%	9.7%	7.4%	5.3%
HFRI**	-0.2%	9.3%	-0.3%	5.2%

Barcap Government & Credit Index* * Hedge Fund Research Institute Fund Weighted Composite*

Summary:

- Deal Activity / M&A: The number of transactions increased to 106 in 1H 2010 versus 87 in 1H 2009, a 22% increase. Total AUM involved was $417 billion. Average deal AUM size dropped from $36.9 to $5.5 billion. Deals with alternative asset managers increased to 52 in 1H 2010 from 25 in 1H 2009, a 108% increase, as the need for size, scale and distribution continue to drive M&A.
- Financial Regulatory Reform and the "Volcker Rule": The limitations imposed on proprietary trading and PE / HF sponsorships already have caused global reevaluation of the diversified bank business model, with Citigroup and Bank of America selling PE / HF business units.
- Alternatives: M&A activity in the alternative sector is on pace to exceed 2008 and 2009 levels as firms consolidate, get acquired by larger strategic firms or are spun-out by banks facing regulatory issues. As a result, alternative manager deals are on track to outpace traditional manager deals for the first time.
- UCITS: UCITS III hedge fund sector now takes up 7% of the total HF industry. There is no sign of its growth slowing. We see an increase in its use by non-European firms who wish to enter the European capital markets.

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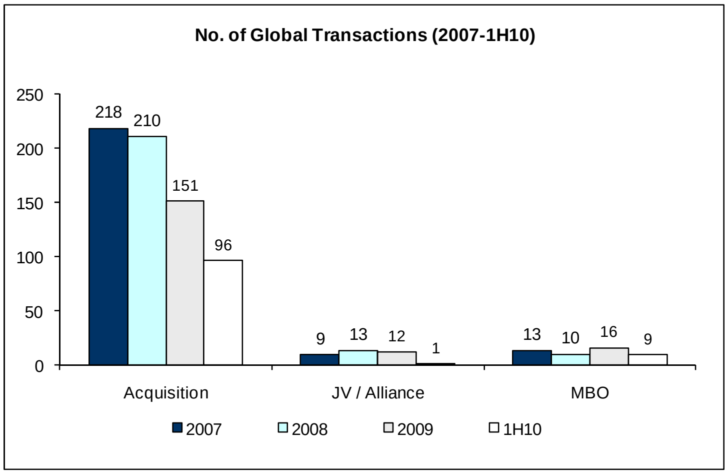
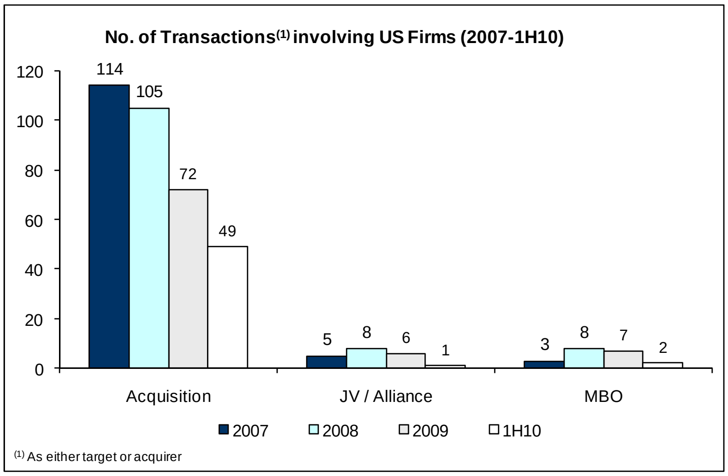
Deal Activity

Following two straight years of decreased activity, where the number of transactions fell from a total of 240 in full-year 2007 to 179 in full-year 2009, asset management transactions rebounded in 1H 2010. In total there were 106 transactions in 1H 2010 versus 87 in 1H 2009, a 22% increase. By transaction type, 1H 2010 had 96 acquisitions, 9 MBOs, and 1 JV / Alliance compared to 87, 7 and 3 in 1H 2009, respectively. The largest AUM deals announced in 1H 2010 were:

- Pacific Century Group's purchase of PineBridge Investments ($87.3 billion)
- Nordea Bank AB purchase of Nordea Invest Fund Management ($57.3 billion)
- Man Group's purchase of GLG Partners ($23.7 billion)

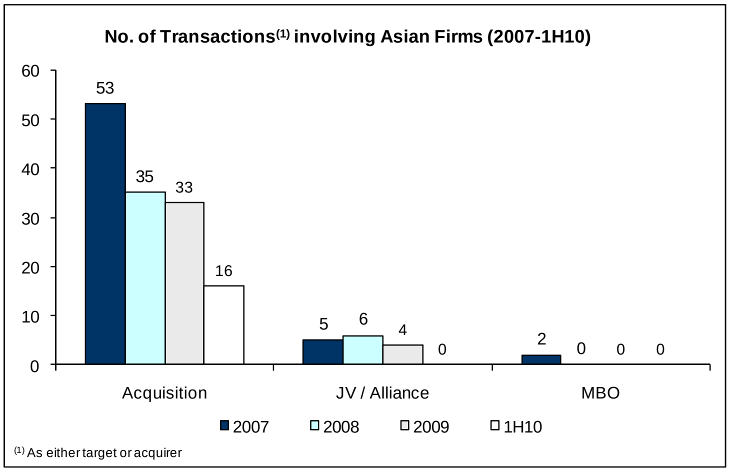


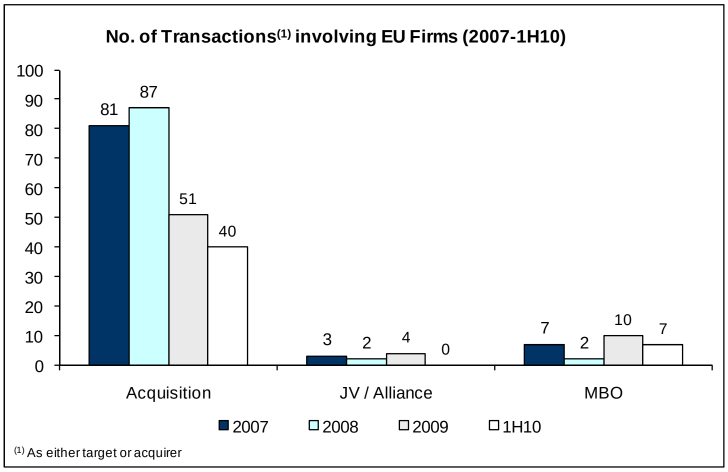
All three regions (US, Europe and Asia) witnessed increases in the number of transactions in 1H 2010 compared to 1H 2009. In the US, consolidation pushed the number of first half deals up 11% to 52 versus 47 in 1H 2009. This included 49 acquisitions, 2 MBOs and 1 JV / Alliance compared with 41, 3 and 1 respectively in 1H 2009.



In addition, deal-making in Europe increased from 32 in 1H 2009 to 47 in 1H 2010, a 47% jump. Europe had 7 MBOs in 1H 2010, including the management buyout of London-based KBC Asset Management UK ($1.1 billion AUM) from Belgium-based KBC Asset Management.

Asset management transactions in Asia have slowed down since record activity in 2007; however transactions increased 14% in 1H 2010 versus 1H 2009 with the total number of deals increasing from 14 to 16. Activity in Asia should continue in the near future as growth prospects remain positive.

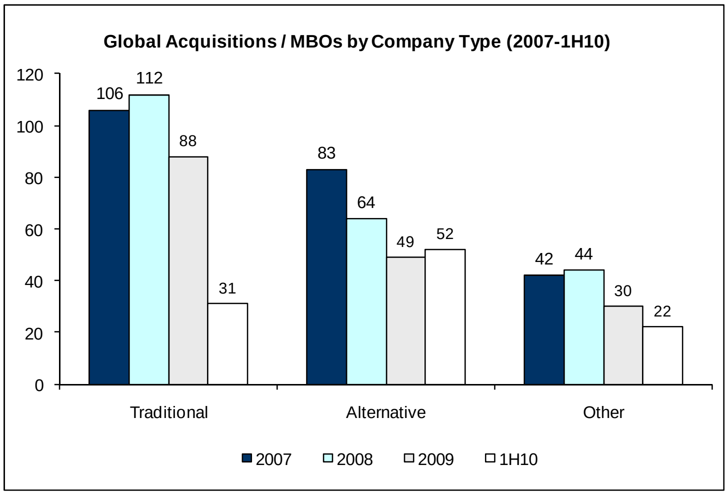




Source: Freeman & Co.

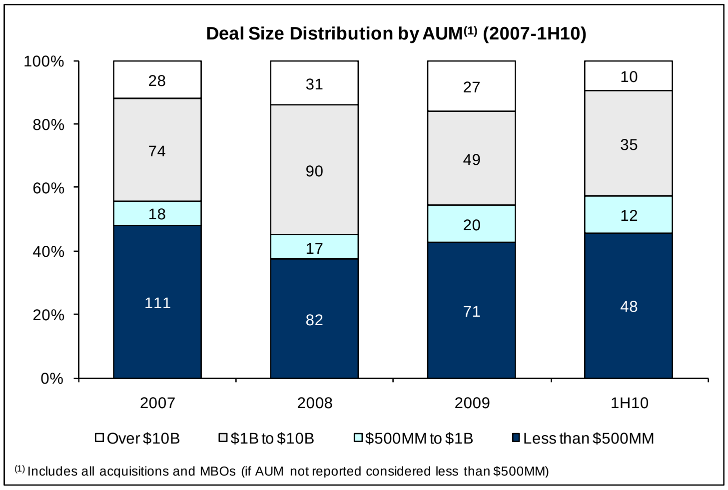
Transactions by Company Type

In 1H 2010, 52 of the 105 transactions involved targets that were alternative asset managers. This is more than double the 1H 2009 number of 25 deals involving alternative asset managers and exceeds the full-year 2009 transaction volume. The trend in the alternative space is smaller alternative asset managers are being acquired by larger alternative managers and other traditional managers / financial institutions that have the benefit of distribution, brand name and/or size and scale. For the first time, this year is on pace to have more alternative than traditional manager deals. First half 2010 also saw an increase in deal activity involving "other" firms (which include financial planners, trust companies, administrators and private banks) at 22 transactions versus 13 in 1H 2009, a 69% increase.



Deal Size

The number of transactions increased across all deal size categories in 1H 2010 versus 1H 2009. The number of large deals, involving AUM over $10 billion increased to 10 in 1H 2010 from 9 in 1H 2009, an 11% increase. Deals with AUM between $1 billion and $10 billion increased to 35 in 1H 2010 versus 23 in 1H 2009, a 52% increase. Similarly, smaller deals with AUM of less than $1 billion increased 20% over 1H 2009 with 60 transactions compared to 50. Going forward, we anticipate transactions involving asset managers with AUM less than $10 billion to be at the forefront of activity, while larger transformational deals will continue to slow as the market stabilizes.



Top 15	2009 ($MM)	1H10 ($MM)
Top 15 Total AUM	$4,254,100	$314,330
Average AUM	$283,607	$20,955
Median AUM	$119,000	$12,000
% of Total AUM	91%	75%
Total AUM Acquried	$4,682,337	$416,731

Significant Deals in First Half 2010 by AUM:

- Pacific Century Group's purchase of PineBridge Investments ($87.3 billion)
- Nordea Bank AB purchase of Nordea Invest Fund Management ($57.3 billion)
- Man Group's purchase of GLG Partners ($23.7 billion)
- Guggenheim Partners' purchase of Security Benefit (Rydex SGI)* ($22.0 billion)
- AMG and Management's purchase of Pantheon Ventures ($22.0 billion)
- Aberdeen's purchase of asset management contracts from RBS ($19.5 billion)
- AMG and Management's purchase of Artemis Investment Management ($16.0 billion)
- Fortress Investment Group's purchase of Logan Circle Partners ($12.0 billion)
- PrinceRidge Holdings purchase of Institutional Credit Partners ($11.0 billion)
- Goldman Sachs Petershill Group's 8% stake in Shumway Capital ($8.0 billion)
- Fiera Capital's purchase of Sceptre Investment Counsel ($7.0 billion)
- F&C Asset Management's purchase of Thames River Capital Group ($6.4 billion)

** Freeman & Co. advised Security Benefit (Rydex SGI)*

Source: Freeman & Co.

Assets Sold by Seller Region

Assets Sold[1] by Seller Region by Year ($MM)

Region	2006	2007	2008	2009	1H10
Africa	55,050	4,300	5,600	200	0
Asia/Middle East	77,832	115,819	56,007	357,540	11,386
Canada	8,045	67,905	173,639	6,362	10,625
Europe	225,341	265,157	705,511	2,020,130	155,221
South America	7,600	35,150	6,433	26,953	0
US	1,843,615	875,261	730,511	2,271,153	237,799
Total[2]	**$2,221,683**	**$1,363,592**	**$1,680,101**	**$4,682,337**	**$416,731**
Acquisitions[3]	108	143	165	127	76
Average Size	20,571	9,536	10,182	36,869	5,483
Median Size[3]	2,750	3,000	2,800	2,000	1,950

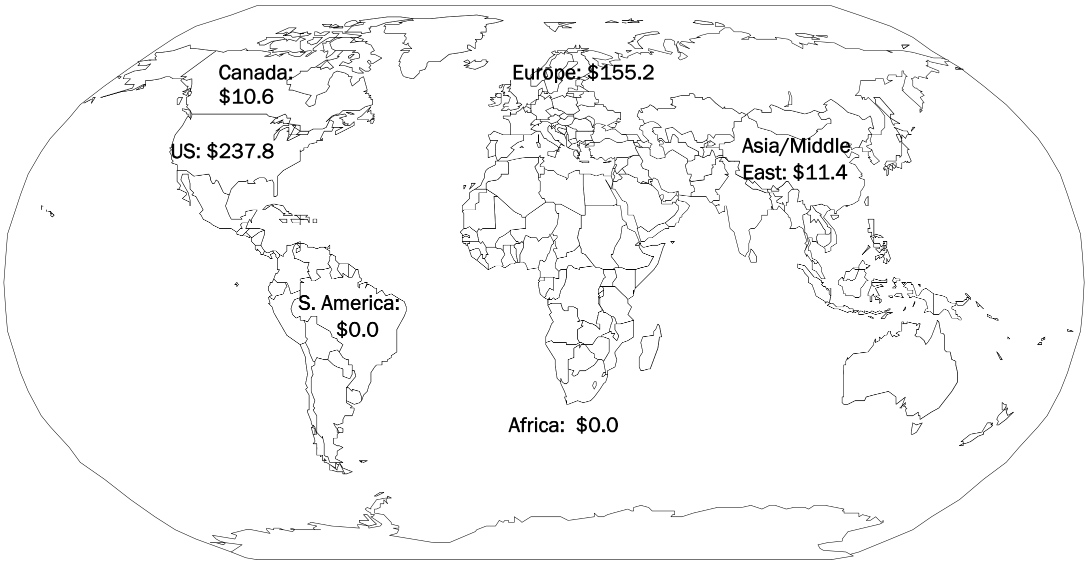
(1) Assets acquired through acquisitions and MBOs Source: Freeman & Co.

(2) Totals include assets acquired by offshore regions

(3) Acquisitions and median deal size calculated using only deals with reported AUM

Overall, assets sold/acquired are down significantly to $417 billion in 1H 2010 compared to $2.7 trillion in 1H 2009. AUM purchased in 2010 is on pace to be much lower than in the past five years, as the wave of large transformational deals begins to slow. The largest transaction in 1H 2010 was the China-based Pacific Century Group acquisition of US-based PineBridge Investments ($87.3 billion). An analysis of median deal AUM size shows that deals in 1H 2010 (median $1.95 billion) are on par with median deal size in 2009 (median $2.0 billion), indicating that the bulk of transactions are of smaller sized firms. In the US, assets sold dropped to $238 billion in 1H 2010 compared to $1.7 trillion in 1H 2009, a decline of 86% much of which can be attributed to BlackRock's acquisition of Barclays Global Investors ($1,500 billion), which composed 90% of total AUM in the US for 1H 2009. The story was similar across the Atlantic where total European assets acquired plunged to $155 billion in 1H 2010 from $895 billion in 1H 2009, but Credit Agricole's merger with Societe Generale Asset Management ($808.0 billion) accounted for 90% of this figure. In Asia, compared to previous time periods, there were minimal amounts of assets sold. The most notable transaction in Asia in 1H 2010 was BNP Paribas Asset Management Australia acquiring Fortis Investment Management Australia ($5.6 billion).

Assets Sold by Seller Region ($417 Billion)



Source: Freeman & Co. ($ in billions)

Assets Acquired by Buyer Region

Assets Acquired[1] by Buyer Region by Year ($MM)

Region	2006	2007	2008	2009	1H10
Africa	55,050	8,500	8,100	200	0
Asia/Middle East	79,932	177,283	449,179	576,236	101,686
Canada	8,375	260,200	189,850	7,979	7,225
Europe	252,711	229,998	553,811	1,856,765	141,071
South America	0	950	0	26,953	0
US	1,825,615	686,661	476,161	2,214,205	164,249
Total[2]	**$2,221,683**	**$1,363,592**	**$1,680,101**	**$4,682,337**	**$416,731**
Acquisitions[3]	108	143	165	127	76
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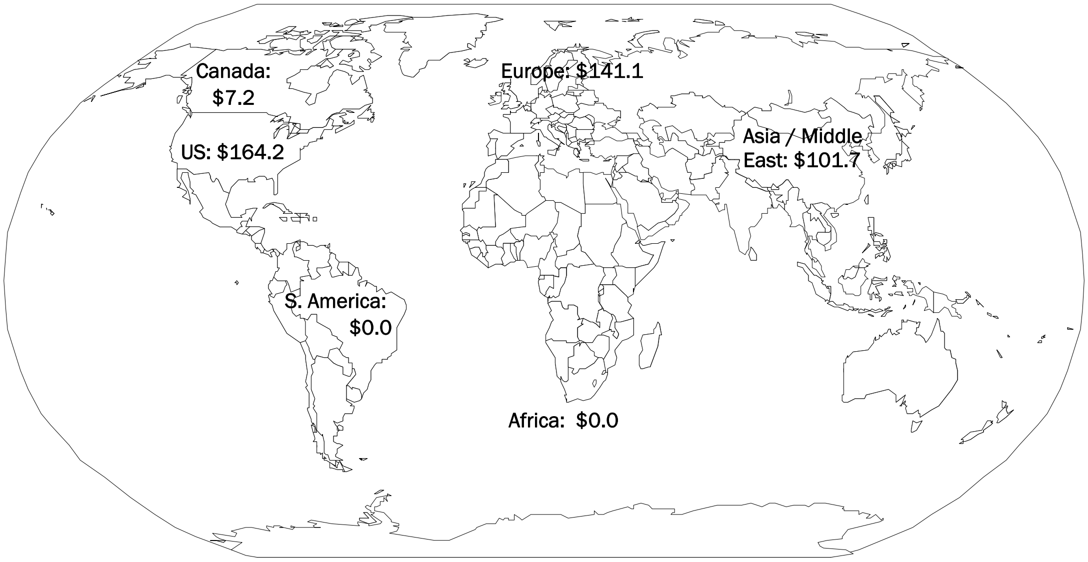
(1) Assets acquired through acquisitions and MBOs Source: Freeman & Co.

(2) Totals include assets acquired by offshore regions

(3) Acquisitions and median deal size calculated using only deals with reported AUM

A breakdown of AUM purchased by buyer region shows that US, Europe and Asia all purchased similar amounts of assets in 1H 2010 (between $100 billion to $200 billion). The amount of assets acquired by US and European firms was significantly lower in 1H 2010 compared to 2009 and previous years, again due to large transactions that took place in those years. US-based firms purchased $164 billion of assets in 1H 2010 compared to $1.7 trillion in 1H 2009, a 90% decrease, while assets purchased by European-based firms were down 84% from $859 billion in 1H 2009 to $141 billion in 1H 2010. Assets acquired by Asian-based firms were down 35% from $157 billion in 1H 2009 to $102 billion in 1H 2010. Although AUM purchased by Asian firms was down from 2009 levels, there was a significant increase in 1H 2010 compared to the first half of 2006, 2007 and 2008. Overall, Asia continues to be a net buyer of assets. Since 2006, Asia-based firms have acquired $1.38 billion in assets compared to $619 million on the sell-side. The only region that saw an increase in AUM purchased was Canada, highlighted by Canadian-based Fiera Capital's purchase of Canadian-based Sceptre Investment Counsel ($7.0 billion). South America and Africa reported nominal activity in 1H 2010.

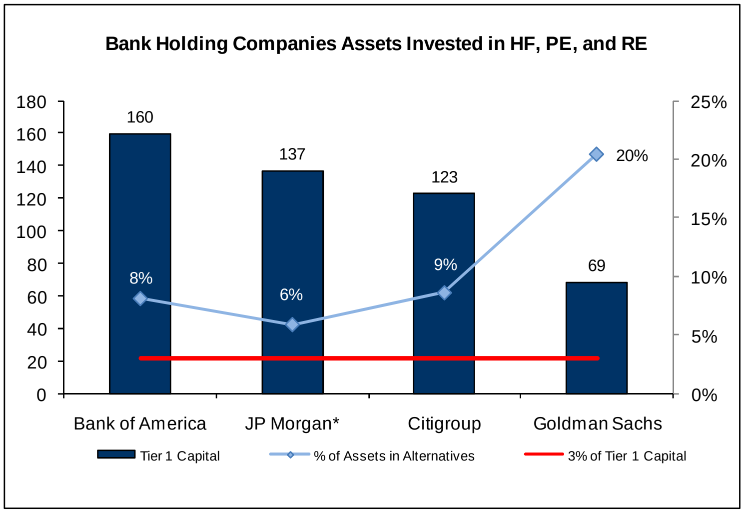
Assets Acquired by Buyer Region ($417 Billion)



Source: Freeman & Co. ($ in billions)

Financial Regulatory Reform and the "Volcker Rule"

The Dodd-Frank Wall Street Reform and Consumer Protection Act, weighing in at 2,300 pages, will surely require much scrutiny and further consideration in a myriad of areas. Law firm Davis Polk & Wardwell recently estimated that a minimum of 243 new rule-makings would be required under the new law. We would like to focus on just one aspect, one which has already received much attention: the "Volcker Rule." The Rule limits bank holding companies (BHCs) from engaging in both proprietary trading, with minor exceptions, and the sponsoring of or investing in hedge / private equity funds, with even fewer exceptions. Specifically, the Rule limits BHCs investments in HF / PE to 3% of the fund's assets or 3% of the BHC's Tier 1 Capital.



**Represents PE investments only*

Source: Regulatory Filings, F&Co. Analysis

Morgan Stanley, Goldman Sachs, JPMorgan and Merrill Lynch, among others, have all historically purchased and grown hedge / private equity funds utilizing their own capital in addition to third party investors. Several of these BHCs will have to determine solutions to structure around the Rule as the regulations become clearer. The timing for clarity and solutions is not immediate as the current timeline envisions a 2 to 7 year transition period to come into compliance. To be sure, there will be appeals, definitions and Senate / Congressional elections over that time period.

The specter of the regulation could have prompted the recent sale of Citigroup's PE assets to StepStone (as manager) and Lexington Partners (as owner of fund interests) and has surely sparked all the major players to begin assessing the law's effects. Firms such as Morgan Stanley may spin off hedge fund businesses such as Frontpoint Partners ($7 billion). Buyers abound for the potential significant divestiture activity as institutional investors drive demand for alternative products that can yield more than Treasury bonds and have less volatility than US equities. Large, diversified managers such as Blackrock, Franklin Resources and Legg Mason may use the opportunity to grow and/or break into new alternative asset classes. We expect large alternative mangers such as Fortress, Blackstone and KKR to continue to expand and diversify in multiple alternative asset segments.

Bank Holding Companies with HF, PE, and RE Investments

Bank	Unit	AUM	Asset Type*
Bank of America	BAML Capital	$5.0	PE
	BAML Global Strategic	$16.6	PE,RE,FF
Bank of America, PNC Bank and Barclays	BlackRock	$3,400.0	HF,PE,RE,FF
Bank of New York	BNY Mellon Asset	$62.0	HF,RE,FF
	Mellon Global	$3.5	FF
Citigroup	Citi Capital	$14.7	HF,PE
Goldman Sachs	Goldman Sachs Asset	$147.0	HF,PE,RE,FF
JPMorgan Chase	JPMorgan Asset	$25.0	HF,PE,FF
	One Equity Partners	$8.0	PE
	Highbridge Capital	$21.0	HF,PE
Morgan Stanley	Morgan Stanley Asset	$24.0	PE,RE
	Morgan Stanley	$43.0	HF,FF
Northern Trust	Northern Trust Global	$3.0	PE,FF
PNC Financial Services	PNC Equity	$1.0	PE
	PNC Capital Advisors**	$1.0	FF
State Street	State Street Global	$6.3	HF,PE,FF
US Bancorp	Wealth Management	$7.0	HF,PE,RE,FF

**HF= hedge fund, PE= private equity, RE= real estate, FF= Fund of funds*
***Under $1.0 billion*

Source: Reuters, Hedge Fund Alert

Recent Announced Asset Sales / Transfers

Date	Seller	Buyer	Asset Class	AUM (bn)
3/10/2010	Citi	Apollo	Real Estate (Global)	$3.5
4/14/2010	Citi	SkyBridge	HFOF	$4.2
4/22/2010	BofA	AXA	Private Equity	$1.9
7/12/2010	BofA	Blackstone	Real Estate (Asian)	$2.7
7/13/2010	Citi	StepStone / Lexington Partners	Private Equity	$4.0
8/3/2010	BofA	Ridgemont Equity Partners	Private Equity	$1.5

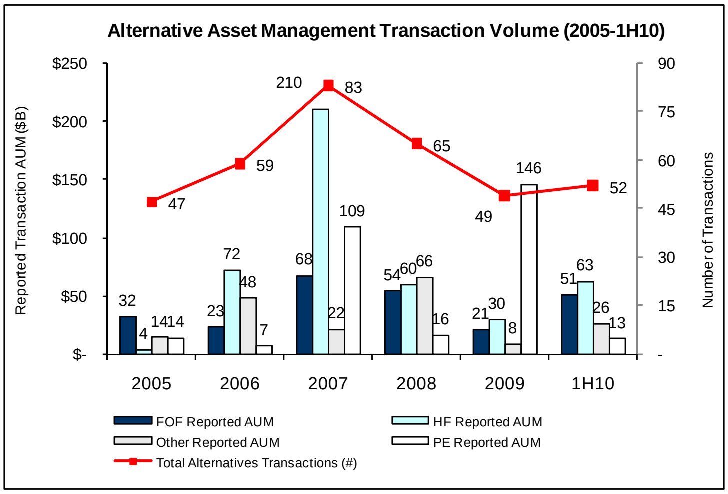
Source: Bloomberg, SNL, WSJ.com

In Europe where proprietary trading typically makes up a lower proportion of revenues, tighter restrictions and higher capital requirements emanating from the Basel Committee on Banking Supervision will continue to have some similar consequences as the Volker Rule. As we have seen with the recent spinouts at Deutsche Bank and BNP Paribas, BHCs will reevaluate whether the reallocation or divesture of proprietary trading desks and hedge / private equity funds is in their best interest.

Alternatives : M&A, Going Public & Raising Assets

Alternative Transaction Volume on the Rise

In the first half of 2010, alternative transaction volume surpassed the full-year count in 2009, totaling 52 and 49 transactions respectively. While average deal size is still lagging, 2010's total deal AUM of $152 billion is quickly approaching 2009's full-year value of $205 billion. Among alternatives, hedge funds had the most AUM acquired at $63 billion, in large part due to Man Group's acquisition of GLG Partners **($23.7 billion)**. Very little AUM changed hands in terms of private equity assets ($13 billion in the first half of 2010), while there was $51 billion in fund-of-funds assets involved in transactions in the first half of 2010. Below is a table of select fund-of-fund transactions that have occurred since 2008.



Source: Freeman & Co.

Select Strategic Fund-of-Funds Transactions (2008 - 1H10)

Year	Target	Target Type	Acquirer	Acquirer Type	Ownership %	Deal AUM ($MM)
2010	Pantheon Ventures	PEFOF	AMG & Management	Traditional	100	22,000
2010	RBS (Asset Mgmt contracts)	FOF(1)	Aberdeen Asset Management	Traditional	100	19,500
2010	Gartmore PEFOF Group	PEFOF	Hermes PEFOF Group	PEFOF	100	6,166
2010	Northgate Capital Group	PEFOF	Religare Enterprise	Bank	65	3,000
2010	Constellar Hedge Fund of Funds	HFOF	Gottex Fund Management Holdings	HFOF	100	150
2010	Aida Capital	HFOF	Standard Life	Insurance	75	50
2009	Torrey Associates	HFOF	Cadogan Management	HFOF	100	NA
2009	Siguler Guff & Company	PEFOF	BNY Mellon Asset Management	Traditional	20	8,000
2009	Northwater Capital Management	HFOF	Crestline Investors	HFOF	100	2,183
2009	ING Alternative Asset Management (3 funds)	HFOF	SAIL Advisors	HFOF	100	700
2009	Altedge Capital	HFOF	Cheyne Capital Management	HF	100	300
2009	Alternative Investment Partners	HFOF	Hatteras Funds	HFOF	majority	300
2009	Legae Capital	HFOF	Blue Ink Investments	HFOF	53	200
2009	Palmer Square Capital Management	HFOF	Mariner Holdings	Traditional	majority	NA
2008	Atlas Capital Associates	HFOF	Sciens Capital Management	HFOF	100	NA
2008	**KBC Alpha AM pan-Asian FOF team(2)**	**HFOF**	**PAAMCO**	**HFOF**	**100**	**700**
2008	KGR Capital Ltd.	HFOF	LGT Capital Partners	HFOF	100	350

(1) Fund of Funds management businesses covering long-only multi-manager funds and certain private equity and real estate funds of funds

(2) Freeman & Co. advised KBC Alpha Asset Management

Source: Freeman & Co

Consolidation in Fund-of-Funds

The consolidation in the fund-of-funds (FOFs) space that was anticipated post the financial crisis has commenced, but activity is stalled for the following reasons: mismatched valuation expectations, lack of financing in the M&A market and unique firm culture management issues. However consolidation will continue as the drivers persist, which include: (1) increasing costs of business as a result of additional compliance, staff costs and risk management systems; (2) institutions becoming the dominating investors resulting in "institutional quality" managers attracting the majority of new net flows post crisis; (3) certain business models exposed (reliance on bank channels, HNW clients, or Europe private banks; leveraged structured products or Bernie Madoff); (4) overall fee pressure. The merger of Gartmore and Hermes' PEFOF groups **($6.2 billion)** and Crestline's acquisition of Northwater Capital Management **($2.2 billion)** represent the largest consolidation in the space, to date. Strategic acquirers, including traditional asset managers, insurance companies and banks, have been more active acquiring FOFs. Given the financial regulatory reform and the "Volker Rule", we don't anticipate many FOFs being acquired by banks, but the trend of traditional asset managers entering the alternative asset sector via acquisitions should continue as they look to diversify their revenue streams and increase margins with higher fee alternative products.

Renewed Interest in Asset Manager IPOs

KKR's IPO in July marks the first major post-crisis IPO in the alternative asset sector. This issue demonstrates a common trend among alternative managers, who are seeing lower valuations as investors continue to discount performance fee expectations. KKR's market cap as a percentage of AUM at 13.2% is considerably less than the 42.3% average that its private equity counterparts, Blackstone and Fortress, garnered with their respective IPOs in 2007.

Unlike alternative managers, traditional asset managers have seen continued interest throughout the past five years. Jupiter's IPO this June marked the first traditional manager IPO of 2010, with successful stock price performance thus far, up 22% (as of 8/31/10) over its IPO price of £1.65 and trading at approximately 4.5% market cap to AUM.

Throughout the past five years, market cap as a percentage of AUM has remained relatively consistent for traditional asset managers (1-5%). This is not the case for alternative asset managers. US-based alternative asset managers who IPO'd in 2007 to much excitement (Fortress, Blackstone and Och-Ziff) have witnessed the greatest decline in market cap/AUM. The three aforementioned firms have seen their market cap/AUM drop 91%, 75% and 52%, respectively, since their IPOs. While we have seen these firms' market cap/AUM ratio fall over the past three years, KKR still IPO'd at a 13.2% market cap/AUM, above the 10.4% average among US-based alternative asset managers.

Hedge Funds Raising Assets

Additionally, new launches of hedge funds have picked up in 1H 2010 with the majority from established players (including Highbridge Capital Management and Paulson & Co.), but launch sizes remain smaller than historical levels. Globally, new launches have raised approximately $20 billion in 1H 2010 on pace to exceed the $35 billion raised in full-year 2009, but far below the $73 billion raised in full-year 2007. Historically, US funds have accounted for approximately 40-50% of assets raised, while in 1H 2010, US funds represented 55% of globally raised assets or $10.9 billion. Concerns about the European economy reduced the amount of assets raised in Europe to 35% of total assets raised or $6.9 billion (including UCITS III). Activity in Asia ($2.1 billion raised) is on pace to exceed asset levels raised in full year 2008 and 2009. A total of 193 funds were launched in 1H 2010: 43 in the US (assets greater than $25 million), 97 in Europe (including 39 UCITS III) and 53 in Asia.

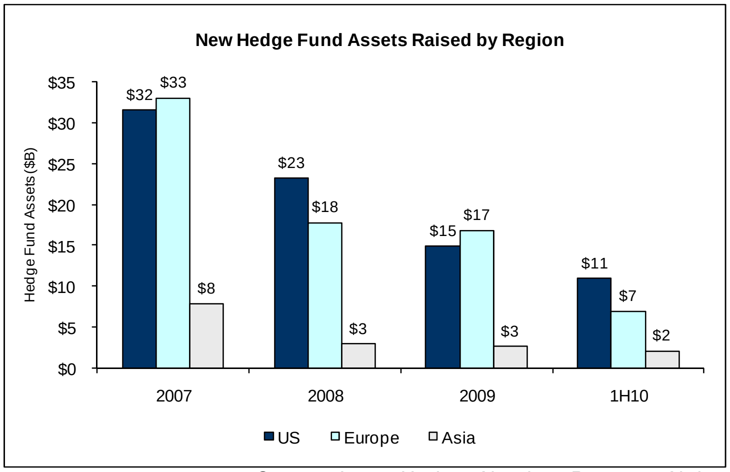
Alternative Asset Manager IPOs (2005-2010)

	US-Based Alternative Managers				
	GLG	FIG	BX	OZM	KKR
IPO Date	1/30/07	2/8/07	6/21/07	11/13/07	7/15/10
Market Cap (MM)					
IPO	$603	$12,444	$38,025	$12,774	$7,200
8/31/2010	$1,126	$1,559	$11,135	$5,057	$6,844
Change	**86.8%**	**-87.5%**	**-70.7%**	**-60.4%**	**-4.9%**
AUM (B)					
IPO	$15.0	$29.9	$88.4	$31.1	$54.7
8/31/2010	$23.7	$41.7	$101.4	$25.5	$54.4
Change	**58.0%**	**39.3%**	**14.7%**	**-18.0%**	**-0.5%**
MC/AUM (%)					
IPO	4.0%	41.6%	43.0%	41.1%	13.2%
8/31/2010	4.8%	3.7%	11.0%	19.8%	12.6%
%Change	**18.2%**	**-91.0%**	**-74.5%**	**-51.7%**	**-4.4%**
Average Current MC/AUM					**10.4%**

Source: Freeman & Co., Bloomberg, Capital IQ

	International Alternative Managers				
	CCAP	EMG	ASHM	BBAY	PGHN
IPO Date	3/30/06	7/11/05	10/12/06	11/17/06	3/24/06
Market Cap (MM)					
IPO	£117	£4,831	£1,361	£599	CHF 2,243
8/31/2010	£41	£3,538	£1,992	£550	CHF 3,442
Change	**-65.2%**	**-26.8%**	**46.3%**	**-8.2%**	**53.5%**
AUM (B)					
IPO	£2.5	£25.2	£11.4	£3.8	CHF 17.3
8/31/2010	£2.0	£25.1	£21.5	£22.3	CHF 25.7
Change	**-19.9%**	**-0.3%**	**88.5%**	**493.5%**	**48.6%**
MC/AUM (%)					
IPO	4.7%	19.2%	11.9%	15.9%	13.0%
8/31/2010	2.0%	14.1%	9.3%	2.5%	13.4%
%Change	**-56.6%**	**-26.5%**	**-22.4%**	**-84.5%**	**3.3%**
Average Current MC/AUM					**8.3%**

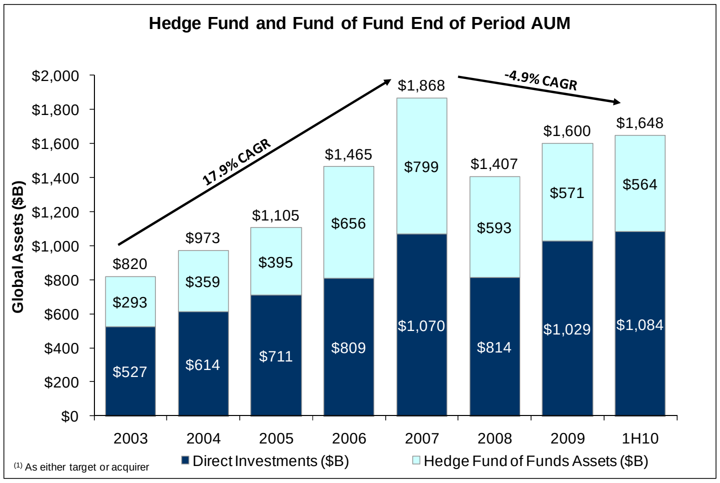
Source: Freeman & Co., Bloomberg, Capital IQ



Source: InvestHedge, Absolute Return + Alpha

HF & HFOF Asset Flow Trends

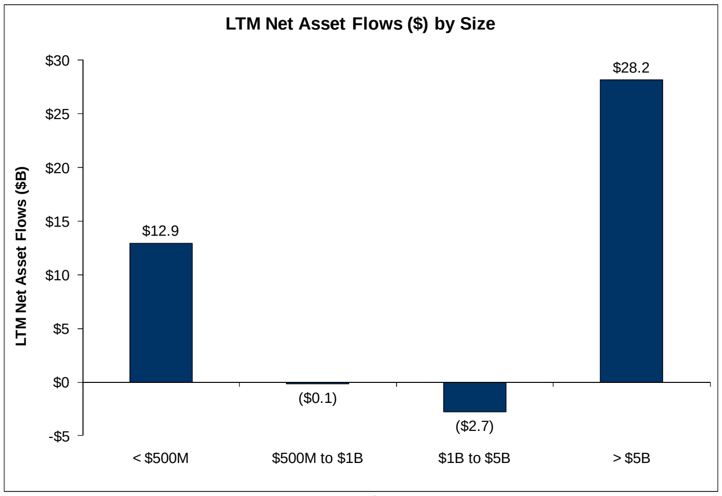
Asset flows for both hedge funds and hedge fund-of-funds have taken divergent paths post-crisis. While HFOF had dominant growth pre-crisis vs. direct hedge funds, HFOF AUM is down 29% since 2007. The major factors driving the loss in HFOF AUM are large withdrawals by HNW clients, especially in the case of European clients, and the unwinding of all HFOF structured products (which accounted for $50-100 billion of AUM). However, institutional asset levels have been quite resilient. Meanwhile, total hedge fund AUM has been quite resilient, up 1% since 2007. The growth has been driven by 2009-1H 2010 market performance and recent net inflows.



Hedge Fund and Fund of Fund End of Period AUM

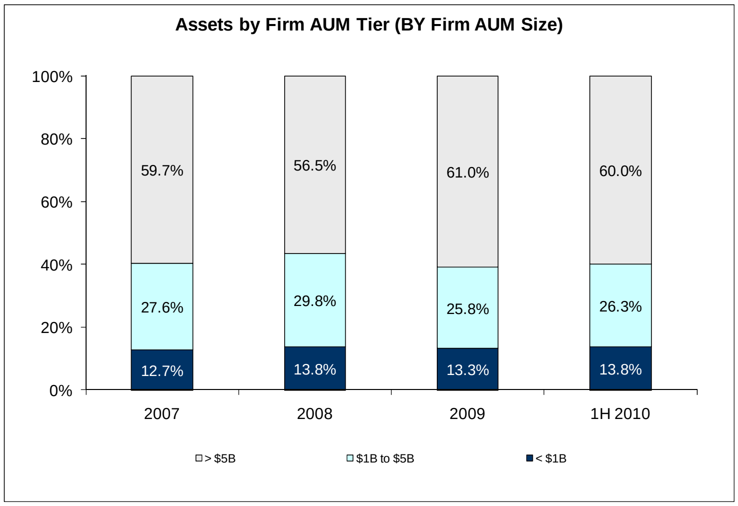
Source: Hedge Fund Research

The net asset flows have not been equal by size of hedge fund. Total assets by firm AUM tier have shown steady market share concentration during the crisis with HFs >$5 billion holding 60% of AUM and HFs >$1 billion holding 86% of AUM. Smaller managers (which include launches of new managers) and the largest managers have shown to be the most resilient during the crisis and have been attracting the lion's share of the net asset flows. Over the last 12 months the smallest managers and new managers (<$500 million) had positive net flows of $12.9 billion or 18.7% of June 30, 2009 levels and the largest hedge funds (>$5 billion) had positive net flows of $28.2 billion or 5.3% of June 30, 2009 levels. On the other hand, mid-sized firms continue to suffer net redemptions as investors are more demanding on infrastructure and operating capabilities. Managers with AUM between $500 million and $1 billion had negative net flows of 0.3% over the 12 twelve months, while managers with AUM between $1 billion and $5 billion had negative net flows of 1.1%.



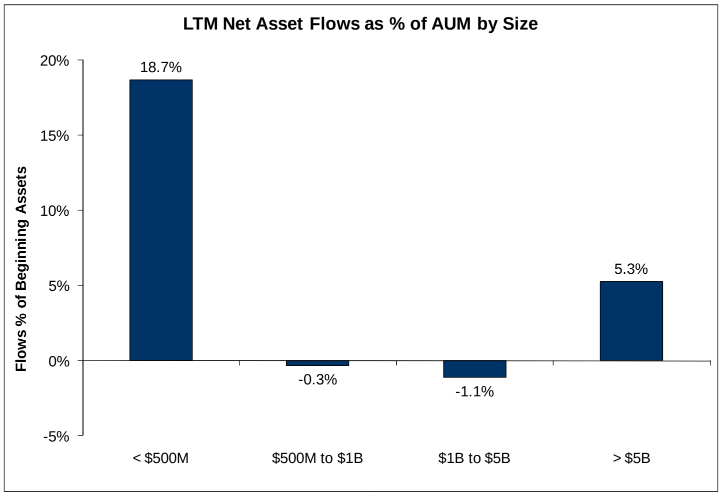
LTM Net Asset Flows ($) by Size

Source: Hedge Fund Research, Freeman & Co. Analysis



Assets by Firm AUM Tier (BY Firm AUM Size)

Source: Hedge Fund Research



LTM Net Asset Flows as % of AUM by Size

Source: Hedge Fund Research, Freeman & Co. Analysis

UCITS III

We thought it was time that we review the UCITS III phenomenon in our newsletter. It does not seem to matter where we are in the world -- UCITS III remains a hot topic. In fact, there is a whole sub-industry of platforms both within and outside the investment banking community that has sprung up to serve this product group.

We will avoid a detailed rendition of the facts (as they appear in so many publications) but here are the headlines: UCITS are required by EU legislation to fulfill three key requirements: transparency, liquidity and diversified portfolios all aimed at providing better risk management for investors. There is an estimated $100 billion of UCITS hedge fund investments in about 980 funds accounting for approximately 7% of the total hedge fund universe at $1,500 billion. The number of new launches is growing and our sense is that demand is increasing significantly across the board.

So what is the real attraction of this product and is this a trend that is going to be fundamental to the development of the alternatives industry in the years to come?

Selected UCITS Hedge Funds

Fund Name	Parent Company	AUM ($m)	Strategy
PF (LUX) Convertible Bonds	Jabre Capital & Pictet	1,013	Convertible Arbitrage
Artemis Strategic Assets Fund	Artemis Investment Management	800	Macro Driven
Alignment Global fixed income fund	BlueCrest	700	Credit Strategies
Gartmore UK Absolute Return Fund	Gartmore	463	Long / Short Equity
MW TOPS Global Alpha ETF	Marshall Wace	369	Market Neutral
GLG Alpha Select	GLG	325	European Equity
PF (Liux) Corto Europe	Pictet	282	European Equity
Brevan Howard Absolute Return Bond Plus Fund	Brevan Howard	250	Credit Strategies
Polar Capital UK Absolute Return fund	Polar Capital	180	Long / Short Equity
Virtuoso Fund	Credit Suisse	135	Macro
ML IS York Event Driven UCITS	York Capital Management's	100	Event-Driven
Veritas Global Real Return	Veritas Asset Management	66	Long / Short Equities
Risk Arbitrage II Fund	Laffitte Capital Management	66	Event-Driven
Sabre Style Arbitrage Fund	Sabre Fund Management	65	Market Neutral
MW European Opportunities Fund	Marshall Wace	63	Long/Short Equity
Permal Global Absolute Fund	Legg Mason	33	Macro Driven

Source: EurekaHedge (2010), Freeman & Co.

In terms of attraction, we believe this is another example of two trends that we have spoken of in the past: the continuing institutionalization of the alternative investment markets and the search for an alternative to traditional equity and fixed income exposure. On the former, the UCITS trend is, in part, a mirror image of its institutional cousin, the managed account, which has received increased attention post crisis. In reality, the UCITS concept is very different but does give a level of protection for investors with regard to transparency and liquidity. Moreover, it is delivering a range of what are billed as absolute return products to some institutions/HNW individuals/the upper end of the retail market which are desperate in their search for an alternative to volatile equities and low yielding credit.

From the managers' perspective there are two very important drivers. First, there is widespread demand which contrasts with highly concentrated allocations in the institutional market, so UCITS appeal to both the 'great and the good' of the hedge fund industry and to managers who are not quite in the mainstream trophy institutional flows. Secondly, and of prominent importance to the non-European firms, UCITS act as a form of regulatory arbitrage because of a forthcoming exemption from AIFM Directives, the EU law that threatens to potentially limit the activities of foreign managers in Europe. We have already seen the arrival of a number of prominent members of the US hedge fund industry on the UCITS scene and following a recent Freeman & Co. visit to Asia we are aware of a number of Asian hedge fund managers that are preparing European UCITS launches (some of which we expect to be highly sought after). Part of the legislative requirement for a European base can be satisfied through the use of a bank or independent platforms. Whilst this is the favored route of some of the larger or more successful non-European firms we see it as another reason why non-European firms might consider co-branding or even mergers with European based firms. In short, the UCITS theme is of real importance now and will remain a focus for most of our clients.

History of Valuations

Stock Prices at 6/30/2010

Over the past year stock performance of public asset managers has been mixed for traditional and alternative asset managers. While the S&P 500 Index returned a positive 14.4% over the last year, traditional public asset managers underperformed the index, earning an average of negative 1.0% return. Alternative asset managers slightly underperformed on average, yielding an average return of 11.6%. Below are the stock prices of the traditional asset managers that faired the best and worst over the past one year period.

	Stock Prices			YOY %
	6/30/09	12/31/09	6/30/10	Change
Schroders	£ 8.21	£ 13.30	£ 12.13	47.7%
Cohen & Steers	$ 14.95	$ 22.84	$ 20.74	38.7%
Henderson Group	£ 0.92	£ 1.24	£ 1.23	33.7%
F&C Asset Management	£ 0.70	£ 0.76	£ 0.52	-25.7%
Liontrust Asset Management	£ 1.08	£ 1.02	£ 0.76	-29.6%
Calamos Investments	$14.11	$11.52	$9.28	-34.2%

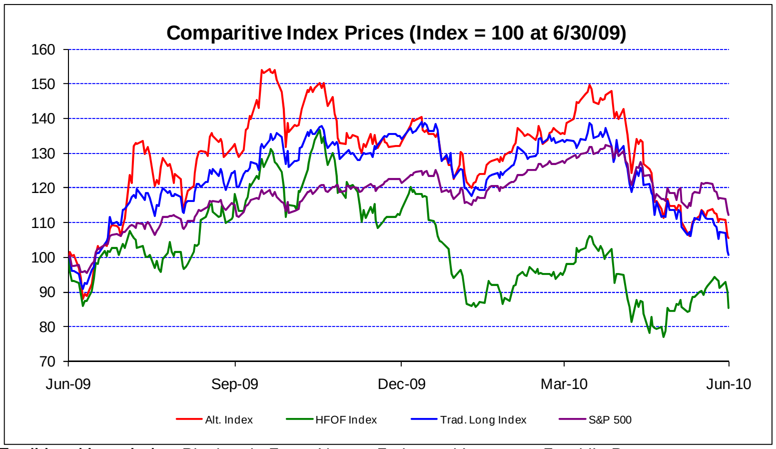
Schroders was the best performing stock of the traditional asset managers, returning a 47.7% return over the previous one year period. Conversely, Calamos Investments yielded the worst return, down 34.2% from this time last year. Much of the increase in stock prices occurred in the last half of 2009, with average performance on behalf of traditional managers down 16.5% in the first half of 2010.

	Stock Prices			YOY %
	6/30/09	12/31/09	6/30/10	Change
Polar Capital Holdings	£ 0.61	£ 0.89	£ 0.94	**54.1%**
Och-Ziff	$8.91	$13.74	$12.59	**41.3%**
BlueBay Asset Management	£ 2.12	£ 3.05	£ 2.89	**36.3%**
Ashmore Group	£ 1.89	£ 2.72	£ 2.43	**28.6%**
Partners Group	CHF 105.40	CHF 130.60	CHF 130.40	**23.7%**
Blackstone	$10.54	$13.12	$9.56	**-9.3%**
Fortress	$ 3.42	$ 4.45	$ 2.87	**-16.1%**
MAN Group	£ 2.78	£ 3.09	£ 2.23	**-19.8%**
RAB Capital	$0.23	$0.18	$0.15	**-34.8%**

Among alternative managers the smaller firms (measured by AUM) displayed the most volatility in stock price. Polar Capital Holdings outperformed the market, earning a 54.1% average return over last year, while RAB Capital yielded the worst return, down 34.8% from last year. Similar to traditional asset managers, much of the gains occurred in the last half of 2009, with 2010 YTD average stock prices down 14.0% thus far.

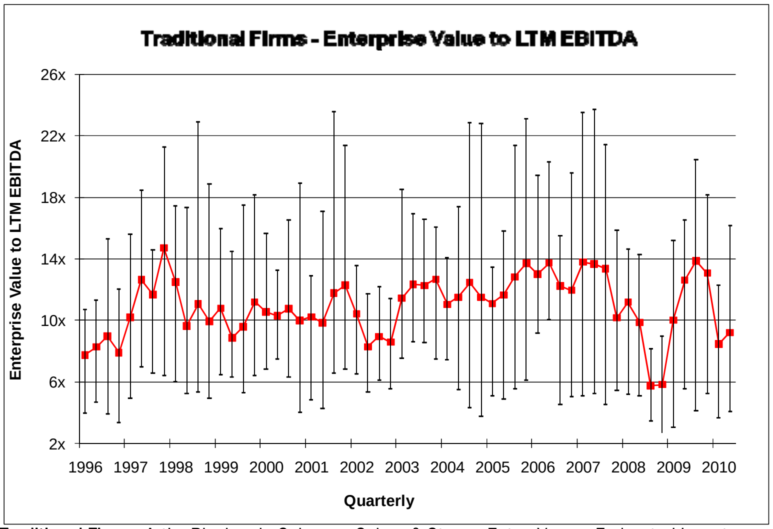
EBITDA Multiples

LTM EBITDA multiples have declined in the first and second quarters of 2010, now resting near mid-2008 levels of 10x for both traditional and alternative asset managers. After a rally in the stock prices in the second half of 2009, this is the first downward trend in valuation multiples post-crisis.



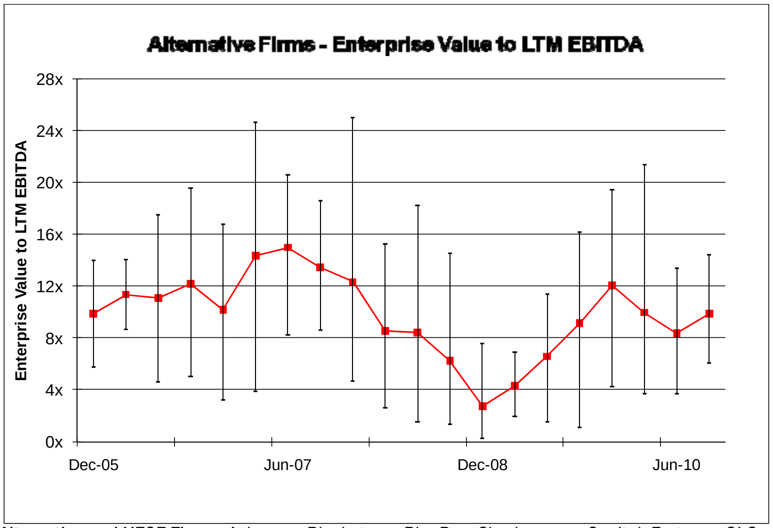
Traditional Long Index: Blackrock, Eaton Vance, Federated Investors, Franklin Resources, INVESCO, Janus Capital, Legg Mason, Schroders, T Rowe Price
HFOF Index: Man Group, Partners Group
Alternative Index: Blackstone, BlueBay, Charlemagne, Fortress, Och-Ziff, RAB Capital
Note: The above are all equally weighted indexes

Source: Capital IQ



Traditional Firms: Artio, Blackrock, Calamos, Cohen & Steers, Eaton Vance, Federated Investors, Franklin Resources, Gamco, INVESCO, Janus Capital, Legg Mason, Pzena, Schroders, SEI investments, T Rowe Price, Waddell & Reed

Source: Publicly available SEC filings, Capital IQ, Freeman & Co.



Alternative and HFOF Firms: Ashmore, Blackstone, BlueBay, Charlemagne Capital, Fortress, GLG Partners, Man Group, Och-Ziff, Partners Group, Rab Capital

Source: Publicly available SEC filings, Capital IQ, Freeman & Co.

Public US Money Managers – Valuations

(All figures in millions, except for per share data or unless otherwise noted)

	Summary Financials							LTM 6/30/2010 Valuation Metrics			
		8/31/2010									Market
	End AUM	Stock	Market	Enterprise	LTM 6/30/2010 [2]			Enterprise Value /		PE	Cap
Company Name	($ bils)	Price	Cap	Value [1]	Revenue	EBITDA	EPS	Revenue	EBITDA	Ratio	% AUM
Diversified											
Blackrock	$ 3,150.6	$ 141.95	$ 27,331.8	$ 29,148.8	$ 6,711.0	$ 2,655.0	$ 9.50	4.3x	11.0x	14.9x	0.9%
Eaton Vance	176.2	25.99	3,202.1	3,433.6	1,027.5	330.5	1.34	3.3x	10.4x	19.4x	1.8%
Federated Investors	336.8	20.85	2,150.4	2,394.0	1,022.9	356.0	1.97	2.3x	6.7x	10.6x	0.6%
Franklin Resources	570.5	96.51	21,884.0	18,955.5	5,563.5	2,086.5	6.29	3.4x	9.1x	15.3x	3.8%
Gamco	26.1	35.30	963.3	895.4	252.1	90.7	1.98	3.6x	9.9x	17.8x	3.7%
Invesco	557.7	18.14	8,543.6	10,094.9	2,959.7	711.7	0.94	3.4x	14.2x	19.3x	1.5%
Pzena	13.1	6.27	407.4	409.8	73.7	42.6	0.31	5.6x	9.6x	20.4x	3.1%
SEI Investments	148.9	17.70	3,349.1	3,050.1	1,009.9	374.2	1.10	3.0x	8.2x	16.0x	2.2%
Janus Capital	160.2	9.08	1,668.6	2,205.7	974.4	299.6	0.70	2.3x	7.4x	13.0x	1.0%
T Rowe Price	391.1	43.79	11,466.9	10,731.8	2,174.3	991.7	2.26	4.9x	10.8x	19.4x	2.9%
Waddell & Reed	68.3	23.01	1,963.8	1,951.4	971.6	236.1	1.61	2.0x	8.3x	14.3x	2.9%
Calamos Investments	29.9	9.42	558.7	808.4	316.7	133.4	0.83	2.6x	6.1x	11.3x	1.9%
Legg Mason	645.4	25.33	3,917.8	4,234.8	2,696.0	481.4	1.39	1.6x	8.8x	18.2x	0.6%
Cohen & Steers	26.2	21.34	909.5	745.9	159.3	46.2	0.95	4.7x	16.1x	22.5x	3.5%
Artio	49.0	13.85	815.7	784.5	343.0	191.0	2.23	2.3x	4.1x	6.2x	1.7%
TOTAL	**$ 6,350.1**		**$ 89,132.8**	**$ 89,844.7**			**AVERAGE**	**3.3x**	**9.4x**	**15.9x**	**2.1%**
							MEDIAN	**3.3x**	**9.1x**	**16.0x**	**1.9%**
Alternatives											
Fortress	$ 41.7	$ 3.35	$ 1,558.8	$ 2,089.7	$ 655.0	$ 276.0	$ 0.33	3.2x	7.6x	10.1x	3.7%
Blackstone	101.4	10.09	11,135.3	13,589.5	2,605.6	1,250.8	0.83	5.2x	10.9x	12.1x	11.0%
Och-Ziff	25.5	12.46	5,056.6	6,071.3	748.0	481.4	1.04	8.1x	12.6x	12.0x	19.8%
TOTAL	**$ 168.6**		**$ 17,750.8**	**$ 21,750.5**			**AVERAGE**	**5.5x**	**10.3x**	**11.4x**	**11.5%**
Holding Companies											
Affiliated Managers	$ 249.0	$ 64.21	$ 3,323.0	$ 5,578.3	$ 1,045.2	$ 349.2	$ 1.84	5.3x	16.0x	34.9x	1.3%
AllianceBernstein	457.7	23.65	6,563.4	6,115.9	3,001.3	756.3	2.35	2.0x	8.1x	10.1x	1.4%
TOTAL	**$ 706.7**		**$ 9,886.4**	**$ 11,694.2**			**AVERAGE**	**3.7x**	**12.0x**	**22.5x**	**1.4%**
Bank / Trust Companies [3]											
Boston Private Finl	$ 17.5	$ 6.28	$ 477.5	$ 477.5	$ 246.6	$ 38.4	$ 0.10	1.9x	12.4x	NM	2.7%
Wilmington Trust	53.3	8.80	805.6	805.6	261.2	(192.7)	(2.15)	3.1x	NA	NA	1.5%
TOTAL	**$ 70.8**		**$ 1,283.1**	**$ 1,283.1**			**AVERAGE**	**2.5x**	**12.4x**	**NA**	**2.1%**
Overall TOTAL	**$ 7,296.1**		**$ 118,053.1**	**$ 124,572.4**							
							HIGH	**8.1x**	**16.1x**	**34.9x**	**19.8%**
							AVERAGE	**3.6x**	**9.9x**	**15.9x**	**3.4%**
							MEDIAN	**3.3x**	**9.6x**	**15.1x**	**2.1%**
							LOW	**1.6x**	**4.1x**	**6.2x**	**0.6%**

Source: Publicly available SEC filings, Bloomberg and IBES estimates.

Note: All figures have been adjusted for extraordinary and non-recurring items.

(1) Enterprise Value calculated as Equity Value plus Minority Interest and Net Debt (Total Debt less Cash & Cash Equivalents)

(2) EV LTM as of 4/30/10

(3) Enterprise Value calculated as equal to Market Cap

Public European Money Managers – Valuations

(All figures in millions, except for per share data or unless otherwise noted)

	Summary Financials							LTM 6/30/2010 Valuation Metrics			
		8/31/2010									
	End AUM	Stock	Market	Enterprise	LTM (6/30/2010) [a]			Enterprise Value /		PE	EV as a
Company Name	(£ bils)	Price	Cap	Value [b]	Revenue	EBITDA	EPS	Revenue	EBITDA	Ratio	% AUM
Traditional											
Schroders	£164.0	£13.30	£3,873.8	£2,144.2	£978.5	£315.8	£0.86	2.2x	6.8x	15.4x	1.3%
Aberdeen	£170.9	1.33	1,521.7	1,816.1	524.7	162.5	0.11	3.5x	11.2x	12.4x	1.1%
F&C Asset Management	£97.8	0.62	313.7	410.6	225.1	65.0	0.01	1.8x	6.3x	NM	0.4%
Jupiter Fund Management	£19.8	2.05	938.3	1,041.2	214.0	114.4	0.05	4.9x	9.1x	NM	5.2%
Henderson Group	£56.4	1.21	999.3	1,081.0	345.9	90.4	0.06	3.1x	12.0x	19.6x	1.9%
Liontrust	£1.1	0.86	28.8	17.1	13.1	-2.3	0.03	1.3x	NA	NM	1.5%
TOTAL	**£510.1**						**AVERAGE**	2.8x	9.1x	15.8x	1.9%
							MEDIAN	2.7x	9.1x	15.4x	1.4%
Alternative											
MAN Group	£25.9	£2.07	£3,537.7	£2,391.8	£642.6	£393.1	£0.18	3.7x	6.1x	11.6x	9.2%
BlueBay	£21.5	2.77	550.1	455.2	116.6	42.7	0.14	3.9x	10.6x	20.4x	2.1%
Ashmore Group	£19.8	2.83	1,991.8	1,724.6	247.8	184.1	0.20	7.0x	9.4x	14.0x	8.7%
Charlemagne Capital	£1.9	0.15	40.7	27.9	15.3	3.8	0.02	1.8x	7.3x	9.2x	1.5%
Polar Capital	£1.7	0.97	73.3	53.6	20.6	2.0	0.03	2.6x	NM	NM	3.2%
RAB Capital	£0.8	0.13	60.2	20.5	11.4	-11.5	-0.01	1.8x	NA	NA	2.4%
Partners Group	£16.0	CHF 139.10	CHF 3,442.3	CHF 3,343.1	CHF 357.8	CHF 248.3	CHF 10.87	9.3x	13.5x	12.8x	13.0%
TOTAL	**£87.7**						**AVERAGE**	4.3x	9.4x	13.6x	5.7%
							MEDIAN	3.7x	9.4x	12.8x	3.2%
Overall TOTAL	**£597.8**										
							HIGH	9.3x	13.5x	20.4x	13.0%
							AVERAGE	3.6x	9.2x	14.4x	4.0%
							MEDIAN	3.1x	9.2x	13.4x	2.1%
							LOW	1.3x	6.1x	9.2x	0.4%

Source: Publicly available company filings, Bloomberg and IBES estimates.

Note: All figures have been adjusted for extraordinary and non-recurring items.

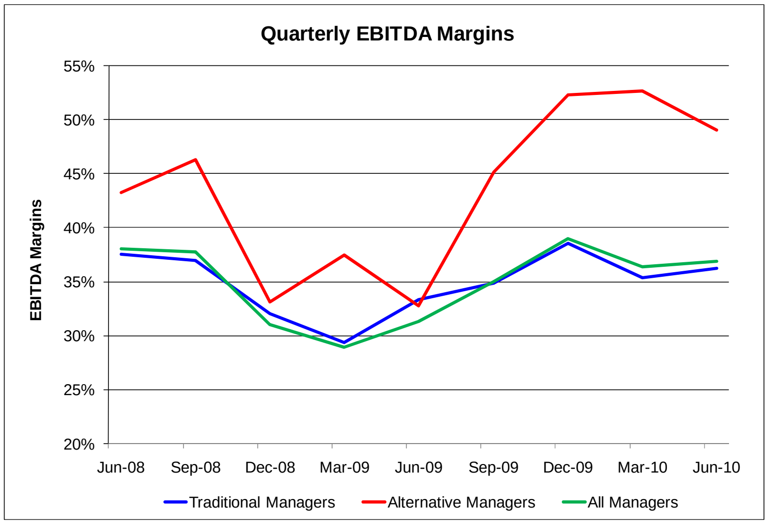
(a) Aberdeen, Liontrust, MAN Gropup, Polar Capital reflect LTM financials as of 3/31/2010, F&C, BlueBay, Charlemagne LTM as of 12/31/09

(b) Enterprise Value calculated as Equity Value plus Net Debt (Total Debt less Cash & Cash Equivalents) & Minority Interest.

Public US Money Managers – EBITDA Margin

EBITDA margins for traditional managers typically average 30-40%. Following the financial crisis, EBITDA margins for the three months ending 3/31/2009 averaged a low of 29.3% as firms could not cut costs as fast as the drop in revenues. Operating cost cutting and improved AUM levels have resulted in EBITDA margins returning to pre-crisis levels of 36-37% on average for traditional managers.

EBITDA margins for alternative asset managers are much more volatile but average around 45-55%. During the crisis, the average alternative manager EBITDA margin compressed to 33%, down from over 43% in early 2008. As the markets have rebounded, alternative manager margins have rebounded to the 49-52% range. As much of this is driven by performance fees, margins may be compressed to the low- to mid-40% range in the future as flat markets provide less profit opportunities for these managers' funds.



Source: Publicly available SEC filings, Freeman & Co.

EBITDA MARGIN

Quarter Ending	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010
Diversified									
Blackrock	36.8%	37.4%	40.2%	37.2%	35.0%	40.4%	40.3%	37.7%	40.4%
Eaton Vance	33.6%	37.2%	26.7%	26.1%	29.8%	32.5%	34.1%	31.8%	NA
Federated Investors	31.3%	32.4%	30.5%	27.8%	30.6%	34.2%	34.8%	31.8%	38.6%
Franklin Resources	38.4%	35.6%	32.5%	29.1%	34.2%	35.2%	38.7%	37.2%	38.5%
Gamco	32.8%	34.2%	39.9%	26.9%	28.4%	33.0%	40.2%	32.6%	36.4%
Invesco	25.7%	23.6%	13.3%	14.2%	20.3%	24.5%	26.1%	24.0%	21.8%
Pzena	64.2%	62.4%	NM	46.7%	52.5%	58.8%	58.7%	57.0%	56.7%
SEI Investments	44.5%	43.2%	41.0%	34.6%	40.8%	41.9%	44.1%	29.1%	30.1%
Janus Capital	38.1%	37.5%	30.9%	21.0%	27.5%	28.6%	34.3%	31.3%	28.6%
T Rowe Price	46.8%	45.8%	32.9%	33.1%	39.2%	44.9%	45.2%	45.7%	46.5%
Waddell & Reed	23.6%	24.5%	18.1%	19.3%	21.0%	24.3%	22.7%	24.6%	25.6%
Calamos Investments	46.2%	46.0%	38.4%	26.3%	36.2%	40.4%	47.4%	40.6%	39.9%
Legg Mason	24.8%	26.4%	25.6%	12.4%	14.0%	15.9%	15.8%	20.1%	19.2%
Cohen & Steers	38.5%	30.9%	25.0%	NM	NM	17.4%	30.8%	32.9%	32.7%
Artio	NA	NA	53.7%	55.9%	56.7%	51.1%	64.9%	54.1%	52.8%
AVERAGE	**37.5%**	**36.9%**	**32.0%**	**29.3%**	**33.3%**	**34.9%**	**38.5%**	**35.4%**	**36.3%**
Alternatives									
Fortress	45.5%	41.2%	17.5%	41.1%	45.3%	43.2%	38.2%	44.4%	42.2%
Blackstone	26.5%	NM	NM	NM	42.8%	46.1%	49.5%	54.2%	40.1%
GLG	33.0%	31.8%	46.9%	18.3%	19.7%	NM	NM	NM	NM
Och-Ziff	68.0%	65.9%	34.9%	52.9%	23.4%	46.1%	69.1%	59.4%	64.8%
AVERAGE	**43.2%**	**46.3%**	**33.1%**	**37.4%**	**32.8%**	**45.2%**	**52.3%**	**52.7%**	**49.0%**
Holding Cos/LPs									
Affiliated Managers	37.4%	39.3%	26.2%	31.4%	30.3%	36.4%	31.5%	33.5%	58.6%
AllianceBernstein	33.9%	32.9%	15.9%	9.3%	21.5%	30.4%	28.3%	22.3%	18.6%
AVERAGE	**35.6%**	**36.1%**	**21.0%**	**20.4%**	**25.9%**	**33.4%**	**29.9%**	**27.9%**	**38.6%**
Bank / Trust Companies									
Boston Private Finl (1)	NM	NM	NM	15.3%	7.9%	10.3%	24.2%	19.1%	6.2%
Wilmington Trust	28.9%	27.4%	NM	27.6%	NM	NM	NM	NM	NM
AVERAGE	**28.9%**	**27.4%**	**NM**	**21.4%**	**7.9%**	**10.3%**	**24.2%**	**19.1%**	**6.2%**
OVERALL AVERAGE	**38.0%**	**37.8%**	**31.1%**	**28.9%**	**31.3%**	**35.0%**	**39.0%**	**36.4%**	**36.9%**
% Change	*1.4%*	*(0.6)%*	*(17.8)%*	*(7.0)%*	*8.3%*	*11.9%*	*11.4%*	*(6.8)%*	*1.5%*

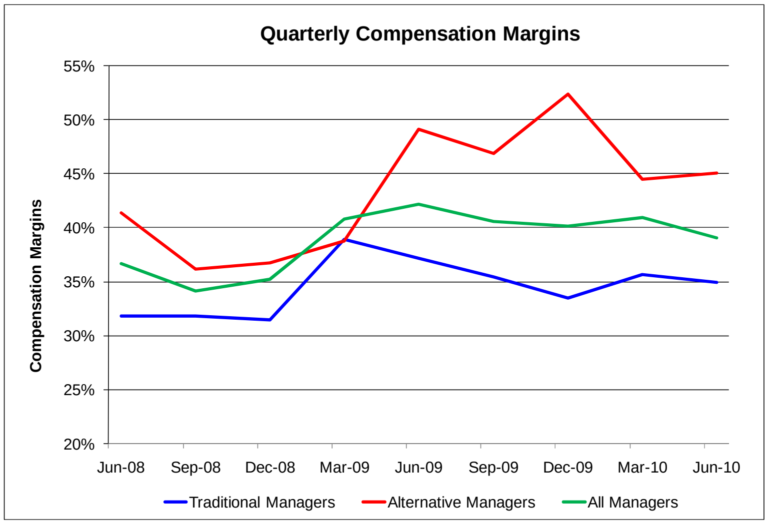
(1) Financials prior to 3/31/09 represent company before financial restatement which occurred in 3Q09

Source: Publicly available SEC filings, Freeman & Co.

Public US Money Managers – Compensation Margin

Compensation margins for traditional asset managers average around 30-35% with a range between 20-45%. Following the financial crisis, compensation margins for the three months ending 3/31/2009 averaged a high of 38.9%. Compensation margins have since come down to an average of 35.0% for the quarter ending 6/30/2010; however margins are still slightly above pre-crisis levels.

Compensation margins are higher for alternative asset managers and average around 40-50% with a range between 20-65%. Compensation margins peaked for alternatives in December 2009 at 52.3%, correlating with the run up in alternative EBITDA margins in 2009.



Source: Publicly available SEC filings, Freeman & Co.

COMPENSATION MARGIN

Quarter Ending	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010
Diversified									
Blackrock	39.8%	35.6%	30.6%	35.6%	37.9%	38.9%	40.0%	38.7%	34.9%
Eaton Vance	28.1%	26.4%	33.2%	33.9%	33.9%	31.0%	31.9%	32.3%	NA
Federated Investors[1]	29.5%	30.8%	29.6%	34.4%	32.7%	32.5%	35.3%	41.4%	38.2%
Franklin Resources[2]	28.1%	30.6%	36.7%	39.0%	32.6%	30.6%	28.6%	29.6%	27.9%
Gamco	42.4%	41.5%	40.1%	47.9%	43.6%	41.9%	39.5%	43.7%	41.4%
Invesco	30.2%	31.9%	37.2%	43.0%	36.6%	33.8%	33.0%	33.0%	33.1%
Pzena	30.6%	32.5%	NM	44.2%	42.0%	37.1%	36.8%	38.6%	37.5%
SEI Investments	33.4%	33.9%	31.9%	39.4%	34.0%	34.0%	32.9%	42.7%	42.0%
Janus Capital	34.2%	33.4%	34.7%	44.4%	40.1%	46.2%	38.5%	39.8%	40.1%
T Rowe Price	37.2%	38.0%	43.1%	45.6%	45.2%	39.4%	37.2%	37.3%	37.3%
Waddell & Reed[3]	26.2%	24.9%	21.9%	28.2%	27.5%	25.4%	32.2%	25.1%	25.3%
Calamos Investments	17.8%	16.3%	21.7%	30.4%	25.9%	24.0%	17.5%	24.8%	23.5%
Legg Mason	35.8%	33.3%	27.1%	38.4%	43.8%	43.6%	41.7%	39.8%	39.9%
Cohen & Steers	32.5%	36.3%	33.5%	51.8%	56.6%	47.2%	37.4%	39.0%	39.0%
Artio	NA	NA	19.2%	27.1%	25.4%	26.4%	19.6%	29.4%	29.6%
AVERAGE	**31.9%**	**31.8%**	**31.5%**	**38.9%**	**37.2%**	**35.5%**	**33.5%**	**35.7%**	**35.0%**
Alternatives[4]									
Fortress	51.2%	50.3%	36.4%	52.5%	51.9%	60.3%	56.0%	55.8%	64.3%
Blackstone	54.5%	NM	NM	NM	39.4%	41.4%	39.4%	35.6%	43.9%
GLG	43.0%	38.6%	31.3%	38.5%	50.0%	55.0%	87.8%	65.0%	53.3%
Och-Ziff	16.9%	19.5%	42.6%	25.3%	55.1%	30.9%	26.1%	21.6%	18.7%
AVERAGE	**41.4%**	**36.1%**	**36.8%**	**38.8%**	**49.1%**	**46.9%**	**52.3%**	**44.5%**	**45.1%**
Holding Cos/LPs									
Affiliated Managers	45.6%	42.5%	45.3%	47.1%	51.4%	48.4%	44.9%	47.5%	43.0%
AllianceBernstein	40.3%	39.1%	45.5%	52.5%	45.0%	41.7%	41.4%	44.1%	45.5%
AVERAGE	**42.9%**	**40.8%**	**45.4%**	**49.8%**	**48.2%**	**45.0%**	**43.1%**	**45.8%**	**44.2%**
Bank / Trust Companies									
Boston Private Finl [5]	62.7%	NM	62.6%	54.0%	55.2%	57.5%	46.6%	52.8%	62.2%
Wilmington Trust	46.2%	47.2%	NM	44.3%	64.7%	66.1%	78.2%	83.4%	NM
AVERAGE	**54.4%**	**47.2%**	**62.6%**	**49.1%**	**59.9%**	**61.8%**	**62.4%**	**68.1%**	**62.2%**
OVERALL AVERAGE	**36.6%**	**34.1%**	**35.2%**	**40.8%**	**42.2%**	**40.6%**	**40.1%**	**40.9%**	**39.1%**
% Change	*(11.4)%*	*(6.8)%*	*3.2%*	*15.8%*	*3.4%*	*(3.8)%*	*(1.2)%*	*2.0%*	*(4.5)%*

(1) Excludes administrative service fees and other service fees
(2) Excludes underwriting and distribution fees
(3) Excludes underwriting and distribution fees & subadvisory fees
(4) Excludes equity-based compensation
(5) Financials prior to 3/31/09 represent company before financial restatement which occurred in 3Q09

Source: Publicly available SEC filings, Freeman & Co.

Select Freeman & Co. Asset Management Transactions

$22 billion AUM
GUGGENHEIM
led investor group has acquired
Rydex Investments — Essential for modern markets
SGI Security Global Investors
The undersigned acted as financial advisor to Security Benefit Corporation, parent of Rydex SGI
February 16, 2010
Freeman & Co. Securities LLC

GUGGENHEIM
has acquired the U.S. High Yield Fixed Income assets of
Halbis
HSBC Global Asset Management
The undersigned acted as financial advisor to Guggenheim Partners, LLC
May 18, 2009
Freeman & Co. Securities LLC

US $700 million AUM
KBC Alpha Asset Management
A hedge fund of funds division
KBC
has been acquired by
Pacific Alternative Asset Management Company
The undersigned acted as financial advisor to KBC Financial Products
Announced December 2, 2008
Freeman & Co. Int. LLP

GW&K Investment Management
A wholly owned subsidiary of
The Bank of New York Mellon
has been acquired by
Affiliated Managers Group
The undersigned acted as financial advisor to The Bank of New York Mellon
October 2, 2008
Freeman & Co. Securities LLC

US $8.0 billion AUM
Lighthouse Partners
has been acquired for US$625 million by
UFA holdings
The undersigned acted as financial advisor to Lighthouse Investment Partners, LLC
Signed November 1, 2007
Freeman & Co. Securities LLC

Value Asset Management
has sold its minority stake in Grosvenor Capital Management back to the company
Grosvenor Capital Management, L.P.
The undersigned acted as financial advisor to Value Asset Management
October 26, 2007
Freeman & Co. Securities LLC

$5.5 billion AUM
K2 Advisors
has sold a minority interest to
TA Associates
Acted as financial advisor to K2 Advisors LLC
April 30, 2007
Freeman & Co. Securities LLC

$24 billion AUM
Ceres
has completed an equity recapitalization sponsored by an undisclosed
Financial Sponsor
as provider of financing
The undersigned acted as financial advisor to Ceres Capital Partners
January 31, 2007
Freeman & Co. Securities LLC

$1.7 billion AUM
Lyra.
its holding company
Ursa *and* Starview.
have been acquired by
Crédit Agricole Structured Asset Management
Acted as financial advisor to Ursa Capital
September 14, 2006
Freeman & Co. Securities LLC

$2.8 billion AUM
The Bank of New York.
has acquired
Urdang
Acted as financial advisor to The Bank of New York
February 28, 2006
Freeman & Co. Securities LLC

The $2.8 billion AUM hedge fund of funds
GUGGENHEIM
has been acquired by
Bank of Ireland Asset Management
Acted as financial advisor to Guggenheim Capital
January 31, 2006
Freeman & Co. Securities LLC

$1.5 billion AUM acquired
Hamilton Lane
has acquired a controlling interest in
Richcourt
from
Citco
Acted as financial advisor to Hamilton Lane
December 3, 2004
Freeman & Co. Securities LLC

Javelin Fund Limited
The $890 million AUM hedge fund of funds of
Zurich Capital Markets
has been acquired by
BNP Paribas Asset Management
Acted as financial advisor to Zurich Capital Markets, Inc.
July 1, 2004
Freeman & Co. Securities LLC

$1.3 billion AUM
Lyra Capital LLC
has completed the management buyout of
Zurich Benchmark Series
from
Zurich Capital Markets
Acted as financial advisor to Zurich Capital Markets, Inc.
October 16, 2003
Freeman & Co. Securities LLC

$800 million AUM
Volaris
has been acquired by
Credit Suisse First Boston
Acted as financial advisor to Volaris Advisors, LLC
June 6, 2003
Freeman & Co. Securities LLC

The Bank of New York.
has acquired
IVY Asset Management Corp.
Acted as financial advisor to The Bank of New York
October 2000
Freeman & Co. Securities LLC

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- *History Repeats, but with Many Different Flavors* (February 2008)
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- *Back in Black* (August 2006)

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