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Asset Management Focus
Freeman & Co. LLC

Inside this Issue:

Global Deal Activity	2
Transactions by Company Type & Deal Size	3
Assets Acquired by Region	4-5
Credit Market Turmoil	6-8
Property & Real Estate	9
Alternatives	10-11
Sovereign Wealth Funds	12-14
Public Comps	15

Indices at 12/31/07:

DJIA	13,264
Nasdaq	2,652
S&P 500	1,468
FTSE 100	6,457
10 Year US Treasury Bond Yield	4.03%
USD per GBP	$1.98
USD per EUR	$1.46

The World is a Different Place

Wouldn't it be keen if we could click our ruby red slippers and go back to Kansas as Dorothy did in *The Wonderful Wizard of Oz*? Instead we are currently stuck battling the Wicked Witch (aka sub-prime) and the Winged Monkeys (delinquent borrowers), while looking for Glenda the Good Witch (Ben Bernake, perhaps?) to lead our way through the broader troubles of today: lack of transparency (who is the wizard behind the curtain?), lack of liquidity, poor balance sheets, structured product complexity, etc.

The result has been a change in opportunities. We see firms re-focusing on their core areas, divesting non-core assets, and looking for opportunities to take advantage of the market dislocation. There will be winners and losers, but with more extreme results than we have seen in the past 3-4 years.

Performance as of December 31, 2007

	Total Return	Total Return	Total Return	Total Return
Index	2H07	1 Year	Annualized 3 Yr	Annualized 5 Yr
S&P 500	-1.4%	5.5%	8.6%	12.8%
NASDAQ	1.9%	9.8%	6.8%	14.7%
FTSE 100	-2.3%	3.8%	10.3%	10.4%
LBGC*	6.2%	7.2%	4.4%	4.4%
HRFI Fund**	2.3%	10.0%	10.7%	12.1%

Lehman Brothers Govt./Credit Index* * Hedge Fund Research Institute Fund Weighted Composite*

Summary:

- Deal Activity / M&A: 2007 had a record number of deals at 213 versus 170 in 2006. Total deal AUM at $1.3 trillion was down from $2.2 trillion in 2006, a result of the large transactions in 2006. However median deal size in 2007 reached an all-time high
- Credit Turmoil: we outline losers (SIV managers, MMF bailouts, etc) and potential winners (SWF's, BDC lenders, distressed debt managers), as well as the capital flows in PE funds (70% CAGR) and CDO issuance (95% CAGR) leading up to the crisis
- Real Estate: Global REITs lost nearly 20% and trade at 20% NAV discounts, but don't count real estate out yet – it is an important asset class that is internationalizing fast
- Alternatives: there were 64 deals, and the average size grew exponentially as a wave of established firms struck deals (DE Shaw, Blackstone, Och-Ziff, Grosvenor)
- Sovereign Wealth: news has been focused on replenishing bank capital but they have also been gently working the asset management segment; expect more of this to come
- Valuations: public valuation levels have been most volatile for alternative firms, while public traditional firms have suffered less; private transaction valuations remain more stable

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Deal Activity

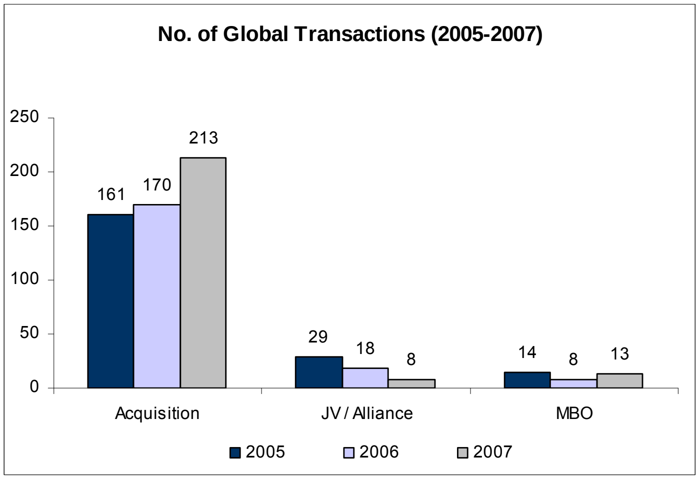
Deal activity continued on a strong pace throughout 2007. Despite credit issues in the second half of the year, activity remained constant making 2007 a record year with total deal volume at 234 compared to 196 in 2006. In total there were 213 acquisitions, 13 MBOs, and 8 JV / Alliances, compared to 170, 8 and 18 in 2006, respectively.

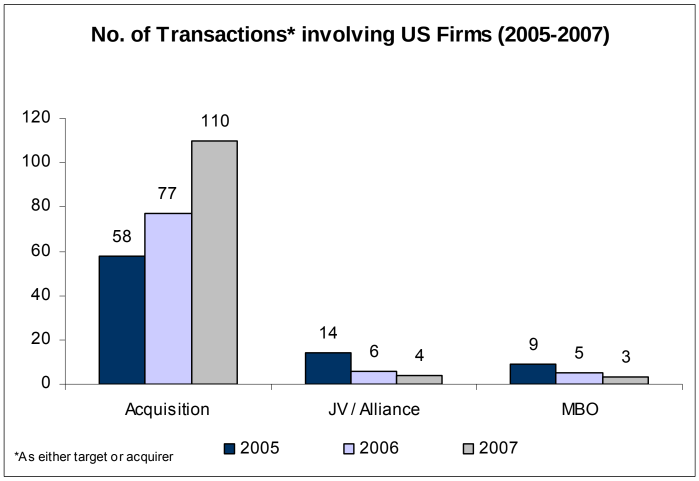
In terms of size, the two largest deals that closed in the first half of 2007 maintained their leading positions:

- Power Corporation's acquisition of Putnam Investments, Marsh & McLennan Co.'s AM unit (**$192.0 billion**)
- Madison Dearborn Partners LLC's purchase of Nuveen Investments Inc. (**$166.0 billion**)

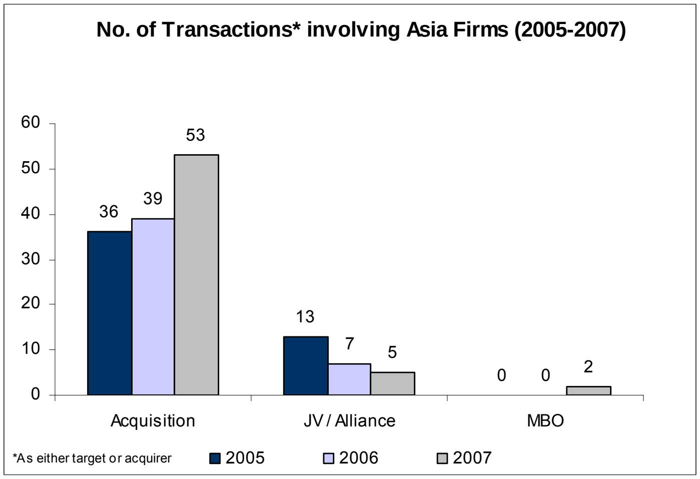
Geographically, the US kept the spotlight with a total of 117 transactions, a 33% increase over 88 deals in 2006. European deal activity has remained flat over the past three years with the total number of transactions in 2007 at 89 compared to 81 in 2006 and 92 in 2005. As regulatory issues have opened up and interest in the East has increased, acquisitions involving Asian firms as either target or acquirer have continued to grow in number. In 2007, there were 60 total transactions, versus 46 in 2006 and 49 in 2005.

Equally significant is the fact that long-expected consolidating moves continue to surface. We see acquisitions by money managers searching for new products or by large financial institutions building their product portfolios. Much of this has been driven by alternatives as traditional firms seek to fill gaps to capture the continued AUM flow into hedge fund, real estate and private equity products.

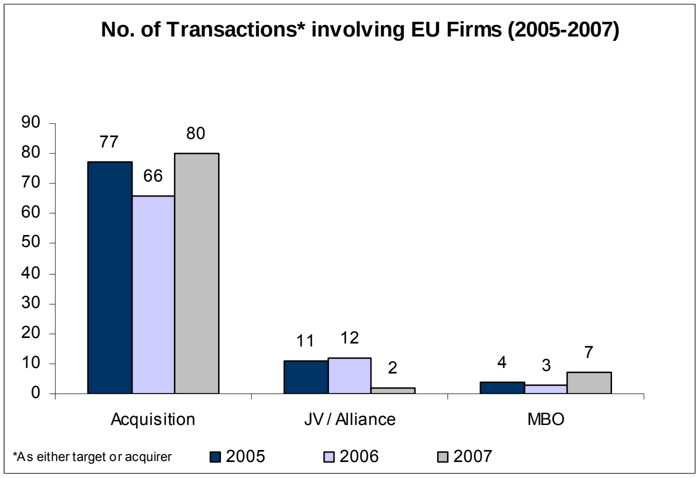

No. of Global Transactions (2005-2007)


No. of Transactions* involving US Firms (2005-2007)

*As either target or acquirer


No. of Transactions* involving Asia Firms (2005-2007)

*As either target or acquirer


No. of Transactions* involving EU Firms (2005-2007)

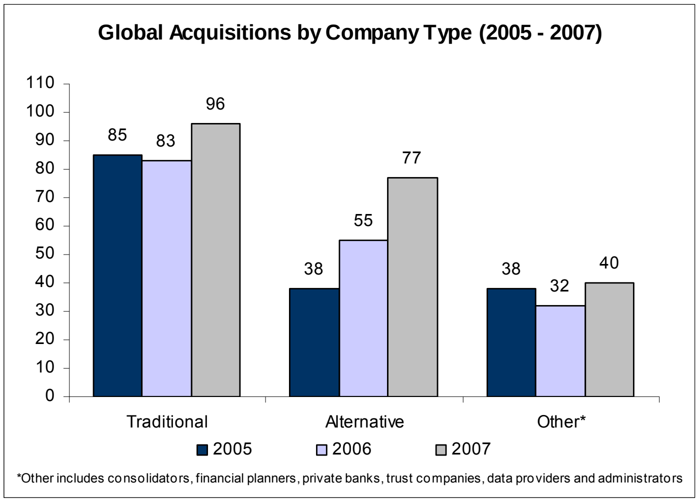
*As either target or acquirer

Source: Freeman & Co.

Transactions by Company Type

Acquisitions of alternatives firms continued their pronounced upward trend in 2007, while deals in the traditional and "other" (defined as financial planners, trust companies and private banks) categories grew as well, though less rapidly.

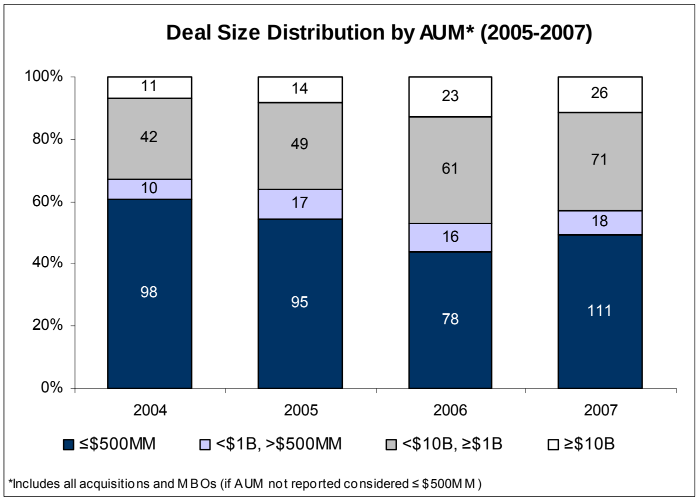
The increased demand for alternative deals is being driven by the continued asset flows into these products as investors seek the uncorrelated returns and diversification that these investment strategies provide. For example, assets in HFOF product are now estimated at $1.3 trillion.



*Other includes consolidators, financial planners, private banks, trust companies, data providers and administrators

Deal Size

Big deals continued their pace from 2006, with 26 deals involving over $10bn AUM. The presence of these large deals has been the trend over the past two years. However as the acquirers have mainly featured large banks and insurance companies, it is likely in the current market situation that we have witnessed a temporary peak in this segment. Also notably, transactions "below $500 million" jumped 42% from 2006 to 2007 after an 18% fall the year before. We believe transactions in this space are fueled by the growing needs of established money managers expanding their product offering. The number of transactions between $1 and $10 billion also continued to grow; accelerating 16% versus 24% the year before. The firms in this size range are ideal private equity targets and are the building blocks for acquisitive banks and insurers.



*Includes all acquisitions and MBOs (if AUM not reported considered ≤ $500MM)

Significant Deals in 2007:

1. Power Corporation acquisition of Putnam Investments, Marsh & McLennan Co.'s AM unit **($192.0 billion)**
2. Madison Dearborn Partners LLC's purchase of Nuveen Investments Inc. **($166.0 billion)**
3. Thomas Marsico's MBO of Marsico Capital Co. from Bank of America Corp. **($94.0 billion)**
4. Mubadala Development Company purchase of a 7.5% stake in The Carlyle Group **($75.6 billion)**
5. Bank of Nova Scotia purchase of Dundee Wealth Management **($60.2 billion)**
6. TA Associates and Jupiter Management MBO of Jupiter Asset Management **($37.7 billion)**
7. Management purchase of BT Funds **($34.5 billion)**
8. Dubai International Capital purchase of a 9.9% stake in Och-Ziff **($30.1 billion)**
9. Crestview Partners and Lord Rothschild purchase of a 24.9% stake of Martin Currie **($29.4 billion)**
10. Lehman Brothers purchase of a 20% stake in D.E. Shaw & Co. **($29.0 billion)**
11. Evergreen Investments acquisition of European Credit Management **($26.0 billion)**
12. Hellman & Friedman purchase of a minority stake in Grosvenor Capital Management **($24.0 billion)**
13. Grosvenor Capital Management purchased Value Asset Management (VAM)* 32% stake **($24.0 billion)**
14. Undisclosed financial sponsor equity recapitalization of Ceres* **($24.0 billion)**
15. BlackRock acquisition of Quellos Group **($20.0 billion)**
16. TA Associates minority investment in K2 Advisors* **($5.5 billion)**

**Freeman & Co. advised Ceres, K2 Advisors and Value Asset Management (VAM)*

Source: Freeman & Co.

Assets Acquired by Seller Region

Assets Acquired* by Seller Region by Year ($MM)

Region	2003	2004	2005	2006	2007
Africa	974	4,500	6,970	55,050	4,300
Asia	12,683	22,765	52,211	77,832	114,819
Canada	14,040	5,506	32,156	8,045	67,905
Europe	194,663	110,476	488,649	225,341	264,957
South America	7,890	6,432	2,800	7,600	35,150
US	241,706	294,730	549,132	1,836,915	828,961
Total	**$471,956**	**$444,409**	**$1,131,917**	**$2,212,383**	**$1,316,092**

Acquisitions**	96	86	107	122	138
Average Size	4,916	5,168	10,579	18,134	9,537
Median Size**	1,155	1,615	1,300	2,650	2,950

**Assets acquired through acquisitions and MBOs*

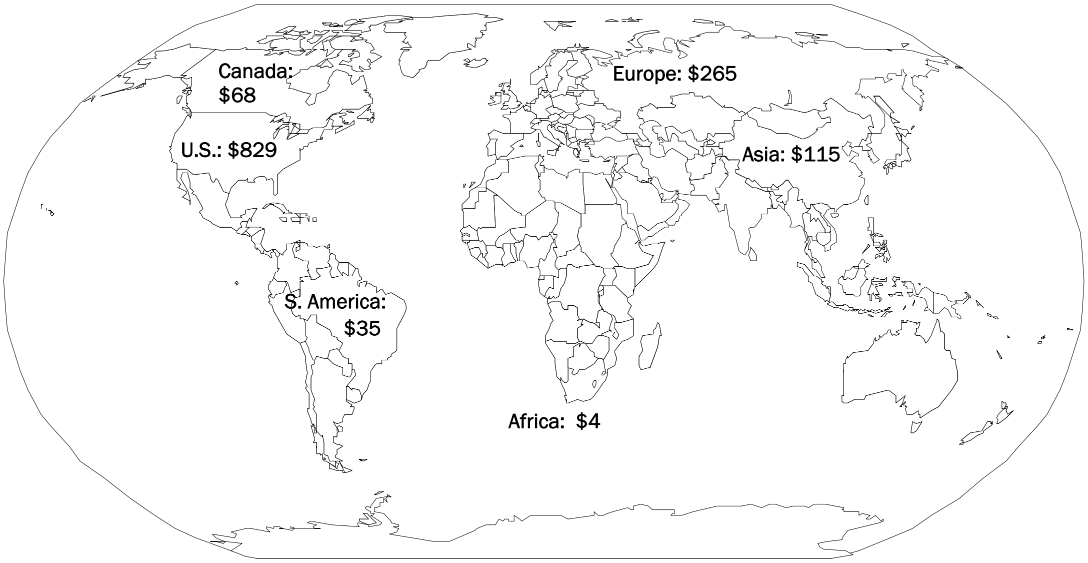
Source: Freeman & Co.

***Acquisitions and Median deal size calculated using only deals with reported AUM*

Despite being a record year for number of transactions, 2007 came short of record levels in total AUM acquired at $1.3 trillion compared to $2.2 trillion in 2006. Where 2006 was bolstered by the BlackRock/Merrill deal – a transaction which by itself accounted for $539 billion in assets - 2007 has witnessed increases across the board, which is reflected in median deal size, which grew from $2.7 billion to $3.0 billion AUM - the highest by far in recent years. The largest deal in 2007 was Power Corporation's acquisition of Putnam Investments, a transfer of $192 billion in AUM.

In the past five years we have seen a noticeable growth trend in deal activity. In particular, it is important to note that, with the exception of 2005, the median deal size has shown solid year-over-year increases. This is generally a more robust measure of activity than average deal size, which can see wild swings in years with one or two blockbuster deals. Additionally, the number of deals has seen steady upward progress as well, from 96 deals in 2003 to 138 in 2007, representing a 9.5% compound annual growth rate. This compares to the 26.4% CAGR of median deal size, indicating that growth in deal size has been a major factor in driving overall AUM acquired. The emergence of alternative managers has been a major contributor to this.

Assets Acquired by Seller Region ($1,316 Billion)



Source: Freeman & Co. ($ in billions)

Assets Acquired by Buyer Region

Assets Acquired* by Buyer Region by Year ($MM)

Region	2003	2004	2005	2006	2007
Africa	974	22,880	6,970	55,050	8,300
Asia	10,313	985	39,589	79,932	177,283
Canada	23,430	2,006	74,356	8,375	260,200
Europe	112,833	50,635	425,321	252,711	229,998
South America	4,670	0	1,800	0	950
US	319,736	367,904	583,582	1,816,315	639,361
Total	**$471,956**	**$444,409**	**$1,131,917**	**$2,212,383**	**$1,316,092**

Acquisitions**	96	86	107	122	138
Average Size	4,916	5,168	10,579	18,134	9,537
Median Size**	1,155	1,615	1,300	2,650	2,950

**Assets acquired through acquisitions and MBOs*

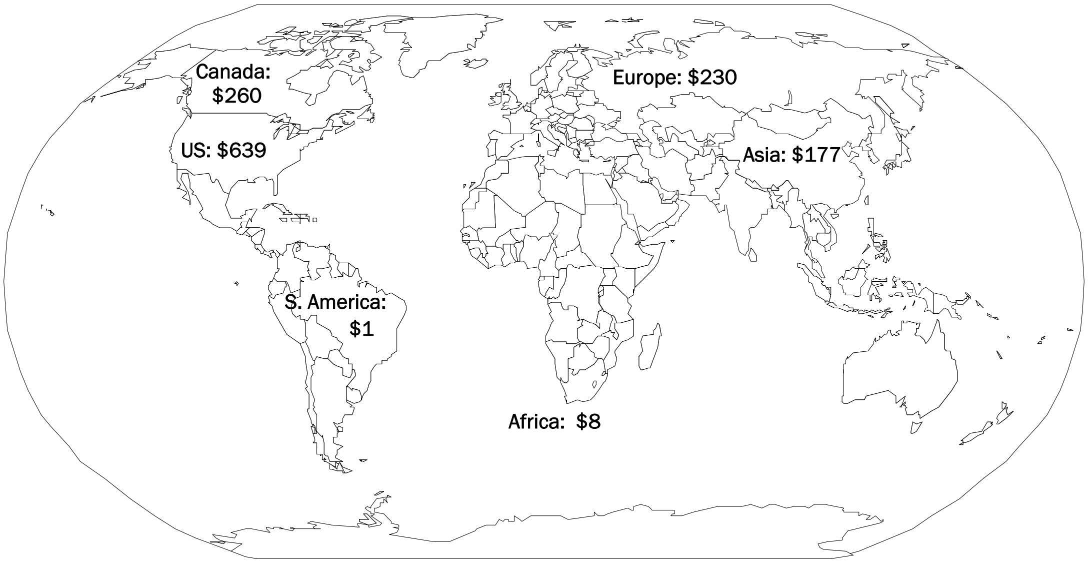
Source: Freeman & Co.

***Acquisitions and Median deal size calculated using only deals with reported AUM*

Evaluating market activity from a buy-side perspective further outlines the ongoing maturation of the global M&A marketplace. While the US still remains the largest single buyer, its absolute dominance in terms of buying power and deal activity gave way to a more balanced global paradigm. In recent years, Europe, Asia, and Canada have become increasingly active buyers and are responsible for 50.1% of total deal AUM in 2007. Significant deals from these regions include:

- Power Corporation's acquisition of Putnam Investments **($192 billion, Canadian acquirer)**
- Bank of Nova Scotia purchase of Dundee Wealth Management **($60.2 billion, Canadian acquirer)**
- Management purchase of BT Funds **($34.5 billion, Australian acquirer)**
- Dubai International Capital purchase of a 9.9% stake in Och-Ziff **($30.1 billion, Middle East acquirer)**
- Jupiter Management MBO of Jupiter Asset Management with TA Associates **($37.7 billion, European acquirer)**
- EFG International's purchase of PRS Group **($2.5 billion, European acquirer)**

Assets Acquired by Buyer Region ($1,316 Billion)



Source: Freeman & Co ($ in billions)

Credit Market Turmoil

Anatomy of the Credit Crunch

Ouch. Given the spot we're in, we wanted to examine some of the causes and to measure the asset flows to determine how long the pain will last before the system clears. We think this also offers some insight into how financial services firms should consider positioning their businesses going forward to capture opportunities. We thought to map the causes, areas of pain and suffering and potential winners in this crunch:

How it Happened – (A)

- Easy money leads to market excesses
- Housing market soars then dives
- PE goes on a buying spree, driving up asset prices

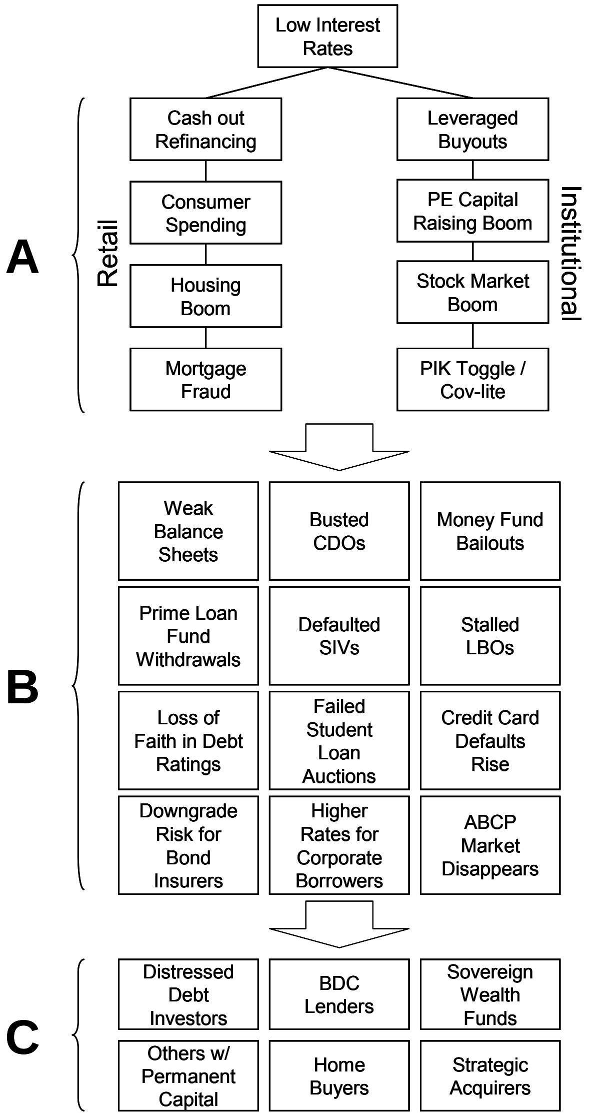
The Damage – (B)

- Subprime collapses
- Ratings agencies lose credibility
- Investors flee structured finance
- Banks in pain
- Lending curtailed

Who Wins? – (C)

- Buyers of financial assets / businesses
- New entrants

The origins of the credit crunch can be found in the aggressive lending practices that grew out of the easy credit environment following the dot-com bust. The most notorious of these factors occurred in the US sub-prime residential mortgage market, but they also became common in areas such as leveraged buyout lending as well. The market was awash in liquidity and investors were struggling to find places to earn enhanced returns. This led to ever-increasing demand for yield and to a decline in lending standards. Since banks were able to resell easily whatever loans they generated, the competition for new business was fierce and borrowers were granted more favorable terms than had existed previously. The wide availability of cheap debt led sophisticated borrowers such as private equity firms to take on significant amounts of leverage to finance deals at prices that would not have been possible in the past.



Low Interest Rates
A
Retail
Cash out Refinancing
Consumer Spending
Housing Boom
Mortgage Fraud
Institutional
Leveraged Buyouts
PE Capital Raising Boom
Stock Market Boom
PIK Toggle / Cov-lite
B
Weak Balance Sheets
Busted CDOs
Money Fund Bailouts
Prime Loan Fund Withdrawals
Defaulted SIVs
Stalled LBOs
Loss of Faith in Debt Ratings
Failed Student Loan Auctions
Credit Card Defaults Rise
Downgrade Risk for Bond Insurers
Higher Rates for Corporate Borrowers
ABCP Market Disappears
C
Distressed Debt Investors
BDC Lenders
Sovereign Wealth Funds
Others w/ Permanent Capital
Home Buyers
Strategic Acquirers

Source: Freeman & Co.

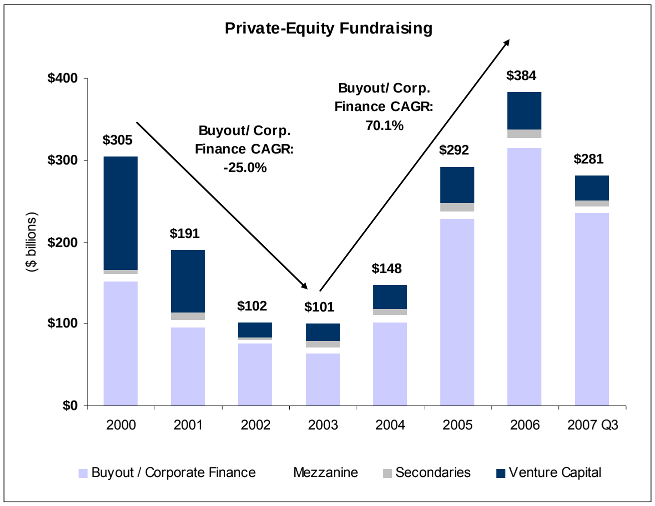
Furthermore, PE firms raised ever increasing amounts of capital, which was combined with cheap debt, to push up asset prices. The charts on the next page show the 70% CAGR of PE fundraising and 95% CAGR of CDO fund raising over this period. It also allowed less sophisticated borrowers, including many with poor credit, to purchase homes that were beyond their financial means. Ratings agencies nevertheless offered strong credit ratings to pools of securitized sub-prime loans on the theory that even if homeowners couldn't pay, housing prices were strong enough to backstop any potential defaults. All of this new debt was filtering its way through the market via a number of vehicles. One of the most prominent was the Collateralized Debt Obligation (CDO).

As recently as early 2007 CDOs represented a major source of profit for the asset management firms that managed them, as well as for investment banks that worked on structuring and underwriting. These vehicles were sold on the strength of the underlying asset diversification and on the believability of the CDO ratings. The problems begin with tail risks and a few simple assumptions: (1) underwriting standards are consistent, (2) asset values will rise, not fall, and (3) financial engineering and mono-line guarantees create AAA diversification and safety. Oops.

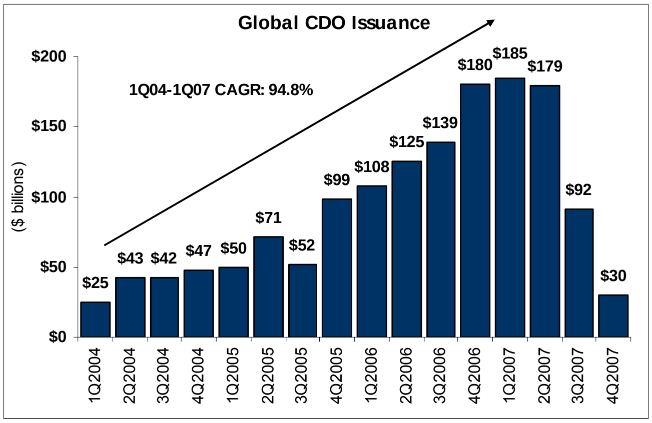
Cracks Begin to Show in the Broader Market

In late 2006, the US housing market began to slow and investors in subprime mortgages started to get nervous as default rates started coming in at higher than anticipated levels. As the adjustable rate loans that had fueled the boom began to reset, borrowers realized that they could no longer make the higher payments. At the same time the bottom was falling out of the US housing market, reducing the value of the collateral behind their mortgages. Little by little, investors began to question the strong ratings of securities backed by these mortgages and started selling them off. As this trend accelerated, it began to affect investment vehicles that were participating in this space using borrowed money. The once simple arbitrage of borrowing short-term money at low interest rates and reinvesting it in highly rated longer-term securities at higher rates began to collapse. As the value of the underlying longer maturity investments declined, the short-term lenders suddenly wanted their money back. This forced leveraged investment vehicles to sell at depressed levels, pushing prices down even further. Those funds that had been financing their portfolios by selling Asset Backed Commercial Paper (ABCP) were particularly hard hit as this borrowing option dried up almost entirely.

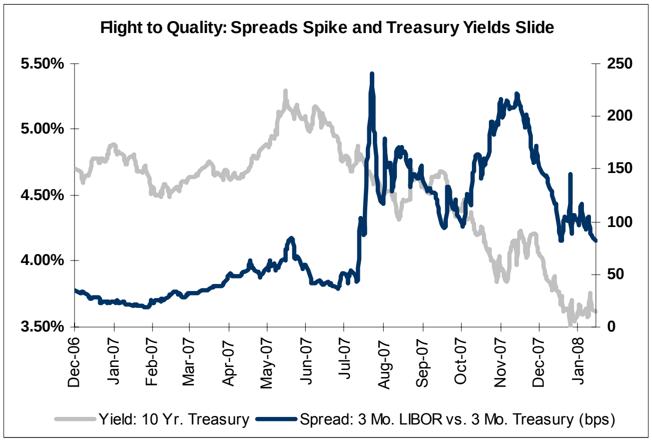
Exacerbating the selling still further was wave after wave of downgrades from the ratings agencies as it became apparent that their original ratings had been far too aggressive. This brought the problem home to those few investors that were still in denial about the quality of their assets, as well as causing another round of forced sales by those with institutional mandates to maintain a certain level of credit quality.



Source: Thomson Financial, Freeman & Co. Estimates



Source: Securities Industry and Financial Markets Association



Source: Bloomberg

Banks Get Hit

The credit crunch really got underway once the crisis in sub-prime had spread to other areas of the financial markets. Two principal ways that this happened were through large write downs at investment banks and through a loss of confidence in the ratings agencies and mono-line credit insurers, both of which made borrowing more difficult.

On the investment banking side the pain came both from losses on proprietary bets and from banks taking large volumes of loans onto their books on the mistaken assumption that they would be able to resell them as easily as they had in the past. As demand for these deals rapidly evaporated, banks were left on the hook for many billions of dollars of aggressively underwritten loans that were collapsing in value. The ensuing write-downs left many banks struggling to maintain sufficient capital and forced them to severely curtail their lending operations as they struggled to clear their excess inventories.

The other major facet of the crisis has been the loss of faith in the ratings agencies. While investors were once happy to buy AAA rated securities without thinking much more about it, they now feel that they have to do substantial due-diligence even on the most highly rated issues. This has led to a shift away from the complex securities that funded both the housing and buyout booms, and back towards plain-vanilla investments and government securities. The overall result has been that credit has gotten more expensive more or less across the board.

Effects on the Asset Management Sector

While some distressed debt and hedge funds have profited from the credit crunch, the general impact on the industry has been negative. For example, some money market funds have required bailouts from their sponsoring firms. The largest of these bailouts was done by Credit Suisse, with charges of $835 million in 2007 to purchase over $8 billion worth of threatened assets from its funds. Bailouts of varying sizes have also been conducted by Legg Mason, Sun Trust, Bank of America, Wachovia and SEI Investments.

		Total Money	SIV as % of
	SIV Assets	Fund Assets	Money Fund
SIV Exposue	($ bil.)	($ bil.)	Assets
Janus	1.3	19	7.0%
Legg Mason	7.5	162	4.6%
Charles Schwab	5.1	160	3.2%
Morgan Stanley	3.1	103	3.0%
Federated Investors	5.0	210	2.4%
Lehman Brothers	2.1	86	2.4%
T Towe Price	0.3	14	1.9%
BlackRock	1.2	291	0.4%
Goldman Sachs	0.0	164	0.0%

Source: Financial News, November 2007; Freeman & Co. Estimates

Another trouble area has been Structured Investment Vehicles ("SIVs"). At their peak, SIVs managed nearly $400 billion and were generally funded by issuing commercial paper and medium term notes backed by various long-term assets. As investors fled any perceived risk, the SIV's could not refinance their short term liabilities. Many of the sponsoring banks were forced to move them onto their balance sheets in order to prevent a default or collapse.

SIVs initially looked relatively insulated from subprime, having a relatively small portion of their assets invested in those assets. In July 2007 Moody's published a report entitled "SIVs: An Oasis of Calm in the Sub-prime Maelstrom", arguing that the crisis should not have much effect on SIVs. The report noted that only 23% of SIV assets were in invested in residential mortgages, and that only half of that exposure was in the US. Additionally, the majority of SIVs had no direct exposure to subprime at all. However, once the world moved from taking all risks for no premium to no risks regardless of premium, the SIV's faced a liquidity squeeze even though their assets may have been sound.

		Size	Collapse/
SIV	Manager	($ bil.)	Bailout
Nightingale Finance	AIG	$2.30	✓
Axon Financial Funding	Axon Asset Mgmt.	$11.10	✓
Links Finance	Bank of Montreal	$22.30	✓
Parkland Finance	Bank of Montreal	$3.40	✓
Victoria Finance	Ceres Capital Partners	$13.20	✓
Cheyne Finance	Cheyne Capital Mgmt.	$9.70	✓
Beta Finance	Citigroup	$20.20	✓
Centauri	Citigroup	$21.80	✓
Dorada	Citigroup	$12.50	✓
Five Finance	Citigroup	$12.80	✓
Sedna Finance	Citigroup	$14.40	✓
Vetra Finance	Citigroup	$2.60	✓
Zela Finance	Citigroup	$4.20	✓
K2 Corporation	Dresdner Kleinwort	$29.10	
Eaton Vance VLF	Eaton Vance	$0.50	
Orion Finance	Eiger Capital Mgmt.	$2.30	✓
Sigma Finance	Gordian Knot	$52.60	✓
Theta Finance	Gordian Knot	$20.00	✓
Asscher Finance	HSBC	$7.30	✓
Cullinan Finance	HSBC	$35.10	✓
Carrera Capital Finance	HSH Nordbank	$4.30	✓
Rhinebridge	IKB	$2.20	✓
Cortland Capital	IXIS/Ontario Teachers	$1.30	
Hudson-Thames Capital	MBIA	$1.80	✓
Abacas Investments	NSM Capital Mgmt.	$1.00	
Tango Finance	Rabobank	$14.00	✓
Premier Asset Clt. Entity	Societe Generale	$4.30	✓
Whistlejacket Capital	Standard Chartered	$8.80	✓
White Pine	Standard Chartered	$7.90	✓
Harrier Finance Funding	WestLB	$12.30	✓
Kestrel Funding	WestLB	$3.30	✓
	Total:	$358.60	

Source: Reuters, Moody's, Freeman & Co. research

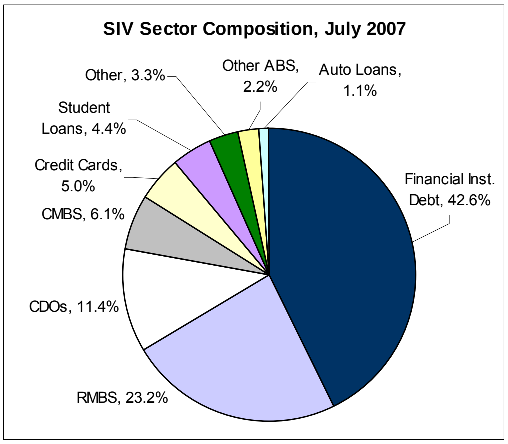
Where We Go From Here?

The outstanding question for asset managers is how this crisis will conclude and what the landscape will look like in its aftermath. SIVs are gone and money market funds will be more cautious (for a while). For equity investors, the market will spring back as the system works through the liquidity crunch. Fixed income and specialist credit investors will benefit from better terms and covenants as well as higher spreads and risk premiums, which should reduce the enticement to chase any yield premium that is non-transparent or overly engineered. With high yields in many sectors (e.g. hung LBO loans, auction rate securities), new investors are entering these markets to take advantage of the dislocation. In time, this will clear the markets.

Two areas of uncertainty are the credit ratings agencies and mono-line insurers. For the rating agencies, it feels like dot-com equity research settlement issues:

- research was paid for by the issuers,
- few incentives to issue poor ratings or question structures, and
- few incentives to downgrade paper

No wonder Moody's stock is down from $70 to $39 and S&P's parent McGraw-Hill is down from $70 to $41 over the past year. We don't have a proposed solution, but the ratings agencies have lost their credibility, and government intervention would not be a surprise. Where is Eliot Spitzer now?



Source: Reuters, Moody's, Freeman & Co. research

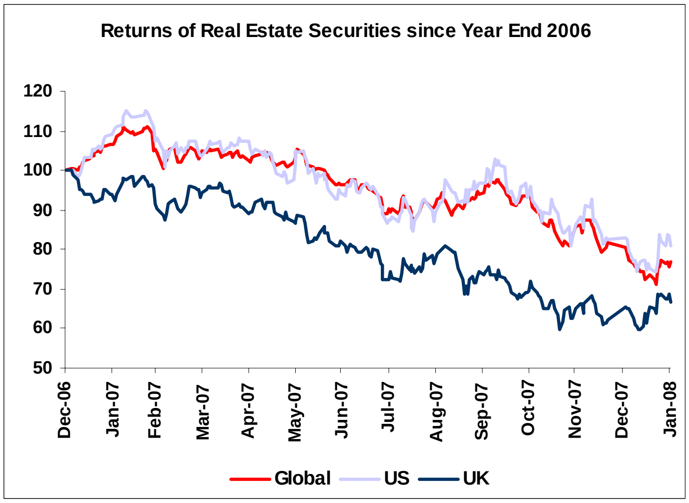
Property & Real Estate

Asset Managers Face a Difficult Market

After several years of above average returns, real estate investors have had a rough time over the past year. The EPRA/NAREIT Global Index finished the year down nearly 19% and asset prices and sale volumes declined across a broad range of sub-categories within the space. The biggest driver behind these returns was the decreased availability of credit. As was the case with asset prices across the board, real estate prices were supported over the last few years by the ability of buyers to take advantage of low interest rates and easy credit terms. Once that source of capital began to dry up, real estate values suffered the same fate as many other asset classes. This was coupled with growing fears of an economic slowdown and the potential effects that it could have on rents, particularly in the retail sector.

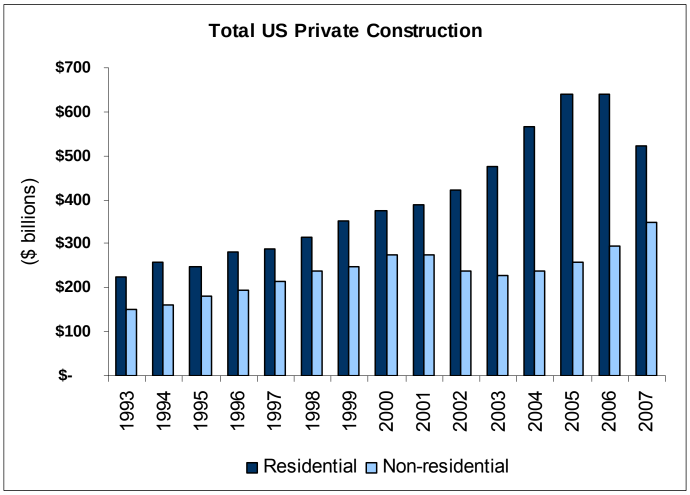
For real estate asset managers this trend has predictably led to a certain amount of pain and suffering as assets have flowed out of the space in favor of perceived safety elsewhere. REITs are currently trading at a ~20% discount to NAV and performance numbers are down across the industry. While real estate assets are certainly more attractively priced today than they were a year ago, the relationship between prices and rents is still a long way from its historical average.

As the above scenario has played out, capitalization rates remain near historic lows and investors have become reluctant to take on the risk inherent in the sector. Additionally, there has been a significant building boom in recent years that has led to what looks like excess supply in both the commercial and residential property markets.



Global = EPRA/NAREIT Global Index
US = AME Capital US REIT Index
UK = AME Capital UK REIT Index

Source: Bloomberg



Source: US Census Bureau

While this trend has been worse in some local markets than in others, few cities have escaped from overbuilding entirely. The chart above right depicts the situation in the US. It is worth noting that the residential and non-residential markets began to diverge in 2002, with the non-residential market avoiding the excesses of the housing bubble. On the other hand, non-residential construction has experienced significant growth in the last few years, which is only now beginning to slow. This leaves open the question of who will fill those newly constructed buildings in an uncertain business climate.

The credit markets seem to be wondering the same thing, as asset managers have found it increasingly difficult to borrow the money to finance large purchases. In particular the Commercial Mortgage Backed Securities (CMBS) market has nearly disappeared. No deals priced in the first six weeks of 2008, and when two deals finally did go through in February, the AAA rated tranches went for a yield in excess of 200 basis points over swaps, as compared to less than 50 basis points only four months earlier. Since CMBS have historically been a major tool in the real estate funding toolbox, the industry will have to come up with ways to settle investor fears or risk further damage to an already troubled market.

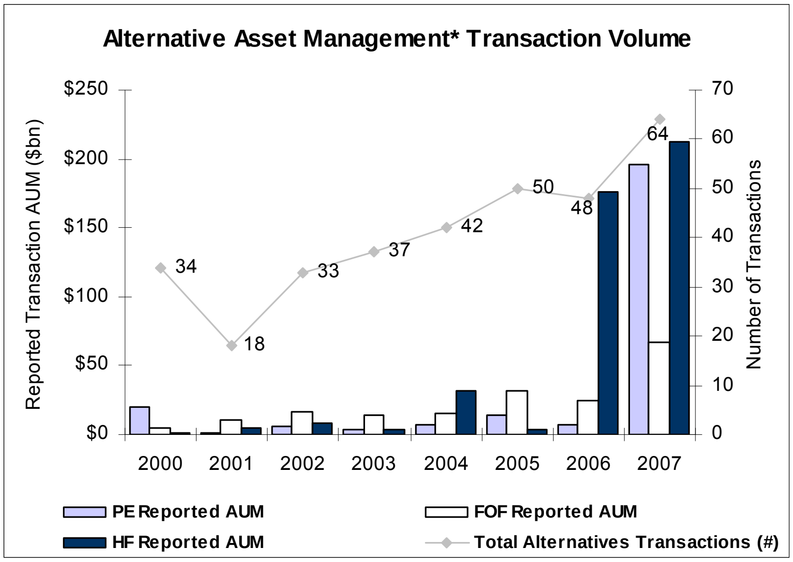
We believe that the asset class should continue to play a role in investors' portfolios and selected specialists will continue to do well when considered against more generalist firms. First, the standard argument that real estate offers limited correlation to other assets still holds true, and second, we think that investors will struggle to find clear buying opportunities in other sectors as well. Thus, while real estate asset managers have had to endure a lot over the past year, we see the predictions of a general collapse in the market as overstated. In addition, there are a few bright spots left in the market, such as emerging markets, particularly much of Asia, which have held up well, despite the general downturn elsewhere. Overall, we see the pain continuing in the near term, but feel that real estate remains a core holding that most investors cannot afford to ignore.

Alternatives

The alternative asset management sector has benefited from four key trends:

1. the ability to go public
2. serial acquirers
3. "outside-the-box" partners, and
4. minority deals

Each of these has supported, and been supported by, the global growth in alternative asset demand.



*Specified Alternative Asset Managers only includes: Hedge Funds, Private Equity Firms and Hedge Fund of Funds

Source: Freeman & Co.

Ability to Go Public

While London led the way with alternative manager IPO's, the US has followed with Blackstone, Fortress and Och-Ziff. The ability to go public has changed the way firms are managed, we believe for the better, by focusing management on long-term sustainability due to the inherent enterprise value of these firms. In the past, managers would retire and shut down, such as Julian Robertson. Others might shut down while below their high water marks, with the goal of re-starting in 2-3 years. Some of these actions may not have been in the investors' best interest, particularly those that focused on short term benefits to the manager (the high water mark being a good example). Another firm action may have been not including star performers in enough carried interest, causing excessive employee turnover. Some of these actions may be mitigated by having management driven by long-term enterprise value creation – strong returns, robust risk management, controllable growth, etc are good for LP investors and shareholders over a one-year time period, and arguably even better over a three- to five-year time period. However, it does present potential conflicts, such as AUM growth, that benefits the GP but dilutes the LP's returns.

Serial Acquirers

A number of serial acquirers have emerged in the hedge fund industry. These firms predominantly have been global investment banks, with a number of strategic drivers:

- accessing products for distribution
- aligning interests through minority deals
- leveraging global brand recognition
- capturing alternative AUM growth trends
- recruiting key talent (in 100% acquisitions)
- ability to understand and manage the risks involved (most of the time??)

These drivers help explain why we have seen so many transactions in this area. Any slowdown will be a result of these banks' need to improve their balance sheets, which will create opportunity for others.

Largest Acquirers

# Deals	Acquirer	Target	Year	AUM ($mm)	% Bought
7	Morgan Stanley	Traxis Partners	2007	$1,600	20%
	Morgan Stanley	Abax Global Capital Ltd.	2007	$1,000	n/d
	Morgan Stanley	Avenue Capital Group	2006	$12,000	20%
	Morgan Stanley	FrontPoint Partners	2006	$5,500	100%
	Morgan Stanley	Lansdowne Partners	2006	$12,000	19%
	Morgan Stanley	Oxhead Capital Mgt.	2006	$100	n/d
	Morgan Stanley	Brookville Capital Mgt.	2006	$221	100%
6	Lehman Brothers	D.E. Shaw & Co.	2007	$29,000	20%
	Lehman Brothers	Spinnaker Capital Group	2007	$5,000	20%
	Lehman Brothers	Marble Bar Asset Mgt.	2006	$4,300	20%
	Lehman Brothers	Ospraie Management	2005	$2,000	20%
	Lehman Brothers	The Crossroads Group	2003	$2,000	100%
	Lehman Brothers	GLG Partners	2000	n/d	100%
4	AMG	BlueMountain Capital	2007	$4,800	n/d
	AMG	ValueAct	2007	$6,000	n/d
	AMG	AQR Capital Management	2004	$12,000	25%
	AMG	Essex Investment Mgt.	1998	$4,300	68%
3	Citigroup	Old Lane	2007	$4,500	100%
	Citigroup	Metalmark Capital LLC	2007	$7,000	100%
	Citigroup	Pacific Alternative AM	2005	n/a	n/a
3	Merrill Lynch	Sterling Stamos	2007	$4,000	n/d
	Merrill Lynch	GSO Capital Partners	2007	$8,000	20%
	Merrill Lynch	DiMaio Ahmad Capital	2006	$3,000	n/d

Source: Freeman & Co.

We think firms such as AMG, some private equity firms and "outside-the-box" investors (discussed later) will be more competitive in this sector while the investment banks are restoring their capital bases. However, the key issue is whether buyers and partners can get comfortable with key deal issues on valuation, corporate governance, risk management, etc.

“Outside-the-box” Acquirers

We have defined a number of investor types as “outside-the-box”, which have made significant investments in alternative asset management firms. Our general definition of this group is that they have some type of unusual characteristic, while also being of strategic value. For example, an outside-the-box group could have any of the following characteristics (1) permanent capital (the ability to hold an investment for 10+ years), (2) ability to seed new product ideas in size (e.g. pension fund), (3) strong brand name, (4) intellectual capital, (5) relationships and rolodex, particularly in areas such as Asia and the Gulf Region, and (6) willingness to consider minority transactions.

“Outside-the-box” Acquirers

Type	Acquirer	Target	Year	AUM ($mm)	% Bought
Pension Fnd.	Calpers	Silver Lake	2008	$16,000	9.9%
SWF	Dubai International Capital LLC	Och-Ziff Management	2007	$30,100	9.9%
SWF	Beijing Wonderful Investments	Blackstone Group	2007	$98,200	9.9%
SWF	Istithmar PJSC (Dubai)	GLG Partners	2007	$23,000	3%
SWF	Abu Dhabi Investment Authority	Apollo	2007	$10,000	9%
Clsd End Fund	Goldman Sachs - Petershill Grp.	Winton Capital Management	2007	$10,000	10%
Endowment	Harvard University Endowment	Gavea Investimentos Ltda.	2007	$5,500	13%
Perm. Capital	XL Capital	Polar Capital	2006	$3,300	14%
Insurance	AIG	Blackstone Group	1998	$8,400	7%
Private Equity	Blackstone	Blackrock	1988	n/a	n/a

Source: Freeman & Co.

We get asked about these outside-the-box investors very frequently by our alternative asset clients who are looking for: (1) a minority equity holder, (2) a long-term holder (hopefully longer than traditional private equity firms), (3) a buyer who understands their business, but will let management run it, and (4) someone to bring branding, distribution, relationships or seed capital. We have found an increasing interest in asset management deals by investors that fit many of these characteristics, however the key is to know what you want to focus discussions on the “best fit” partner.

Minority Deals

One of the major issues in asset management is human capital – the assets take the elevator down each day on their way home. The partnering/ acquisition models have evolved over time to align the interests of management with those of any outside owners. A number of businesses have tackled this issue over the past two decades:

- UAM (bought by Old Mutual)
- Nvest (bought by Natixis)
- Phoenix (currently being spun off by parent)
- VAM (sold last company in 2007)
- Asset Alliance (Reverse IPO in 2008)
- Affiliated Managers Group (IPO in 1997)

The result of these efforts has been a greater appreciation of the role of human capital and the need for interest alignment. Today that has led to a wide range of minority investments in asset management companies of all types.

Select Minority Transactions

Type	Acquirer	Target	Year	AUM ($mm)	% Bought
HF	Harvard University Endowment	Gavea Investimentos Ltda.	2007	$5,500	13%
HF	Morgan Stanley	Traxis Partners	2007	$1,600	20%
HF	RAB Capital Plc	Prestige Asset Management	2007	n/a	20%
HF	Dubai International Capital LLC	Och-Ziff Capital Management	2007	$30,100	10%
HF	Goldman Sachs	Winton Capital Management	2007	$10,000	10%
HF	Swiss Re	Brevan Howard	2007	$17,500	15%
HF	Tokio Marine & Nichido Fire Insr.	Fortis IM USA, Inc.	2007	n/a	5%
HF	Istithmar PJSC (Dubai)	GLG Partners LP	2007	$20,000	3%
HF	Lehman Brothers	D.E. Shaw & Co.	2007	$29,000	20%
HF	Lehman Brothers	Spinnaker Capital Group	2007	$5,000	20%
HF	Merrill Lynch	GSO Capital Partners	2007	$8,000	20%
HF	Morgan Stanley	Abax Global Capital Limited	2007	$1,000	n/a
HF	Morgan Stanley	Avenue Capital Group	2007	$12,000	20%
HFOF	Hellman & Friedman	Grosvenor Capital Management	2007	$24,000	minority
HFOF	Grosvenor Capital Management	VAM's minority stake*	2007	$24,000	32%
HFOF	TA Associates	K2 Advisors	2007	$5,500	n/a
HFOF	Nikko Cordial Securities	Asset Alliance Corporation	2002	$4,100	12%
PE	Toscafund Asset Management	Penta Capital	2007	$413	40%
PE	Vladimir Potanin	Interros Company	2007	n/a	50%
PE	Mubadala Development Company	The Carlyle Group	2007	$75,600	8%
PE	SL Management	SL Capital Partners LLP	2007	$10,400	40%
PE	Allco Finance Group Limited	Allco Equity Partners Limited	2007	n/a	13%
PE	Nomura Holdings Inc.	Fortress Investment Group	2006	$26,000	15%
PEFOF	Credit Lyonnais Asset Management	Hamilton Lane Advisors	2007	n/a	50%
PEFOF	MFS Alternative Asset Limited	Vantage Asset Management	2006	n/a	40%

* Freeman & Co. acted as advisor to VAM

Source: Freeman & Co

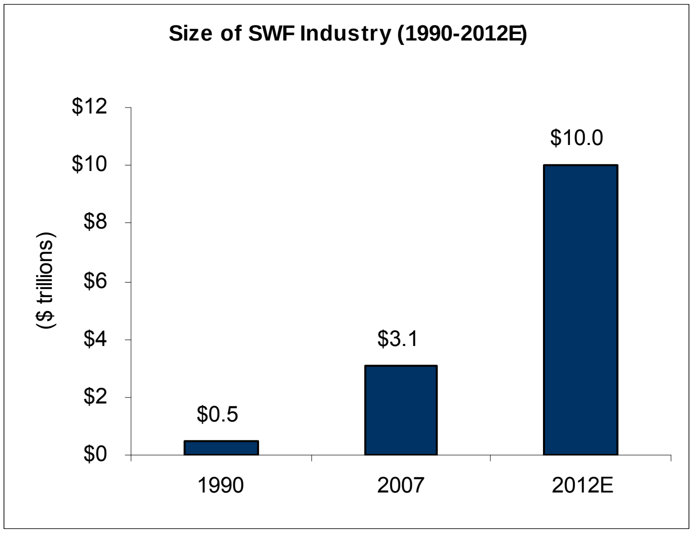
We believe that minority deals are here to stay in alternative asset management because of what they provide: alignment of interest, lack of control, upside for both parties and some synergies (depending on the nature of each group and the intended relationship). Additionally, by being a minority partner you don’t have to “buy the company twice – once to own it, and once again to keep the talent” as a friend mentioned. As discussed in the “Outside-the-box” section above, we have found that product manufacturing firms are looking for individual solutions: branding, seed capital, distribution, independence, etc. and that their minority partner selection highlights what their intended goals are.

What might cause buyers to pursue a majority deal? We think there are three examples. First, buying talent or alumni. This seems to be the case for some recent deals by Citigroup and Morgan Stanley. Second, a minority deal disguised as a majority deal. Sometimes one might need 51% for accounting, tax or other reasons. It’s possible to split the voting ownership from the economic spoils. Third, when the buyer controls something the seller needs. This is usually distribution – if a part of the industry evolves where smaller product manufacturers have difficulty accessing distribution independently, you might see more alternative deals. Such is the case with mutual funds, but we’re a long way from there now in alternatives.

Why Sovereign Wealth Funds are the focus of Market Attention

Large and Growing Pool of Assets

SWFs are increasingly influential in world financial markets with total assets estimated at $3 trillion, which represent 2% of global financial assets ($165 trillion) and 15% of global pension fund assets ($21 trillion). Although a small percentage of global financial assets these pool of assets have been growing rapidly - around 10% a year since 1990, - then only $0.5 trillion - and are expected to grow to $10 trillion in 2012 according to the IMF. Unlike traditional institutional investors backed by thousands of shareholders, SWFs economic power is concentrated among a few players with the top 5 funds holding 70% of total assets.



Source: IMF, Freeman & Co. Estimates

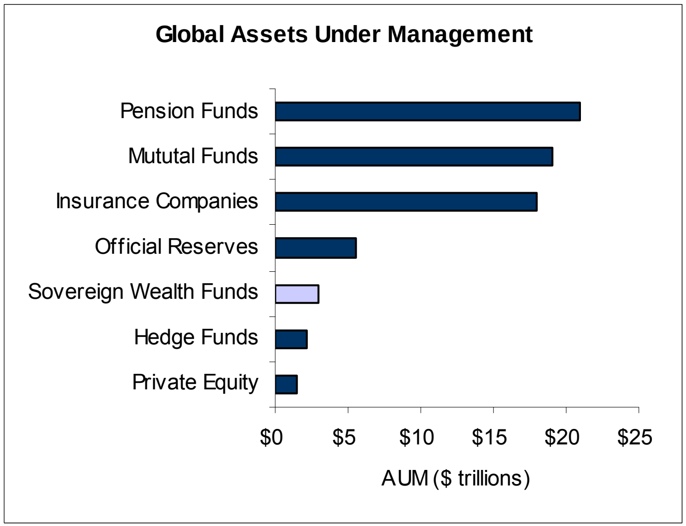
Countries with the Largest Sovereign Wealth Funds

Country	Fund	Assets ($bn)	Inception	Origin	Approx Wealth Per Citizen
Abu Dhabi	ADIA Abu Dhabi Investment Authority	$875	1976	Oil	$1,000,000
Norway	GPF The Government Pension Fund of Norway	380	1996	Oil	74,500
Singapore	GIC Government of Singapore Investment Corporation	330	1981	Non-commodity	100,000
Saudi Arabia	Various	300	n/a	Oil	15,000
Kuwait	KIA Kuwait Investment Authority	250	1953	Oil	80,000
China	CIC China Investment Corporation	200	2007	Non-commodity	151
Singapore	Temasek Holdings	159	1974	Non-commodity	35,400
Russia	SFRF Stabilization Fund of the Russian Federation	158	2004	Oil	1,180
Canada	CPP CPP Investment Board	119	1999	Oil	12,800
Australia	FFMA Australian Government Future Fund	61	2004	Non-commodity	2,900
Qatar	QIA Qatar Investment Authority	50	2000	Oil	250,000
US (Alaska)	APFC Alaska Permanent Fund	40	1976	Oil	61,000
Libya	-	40	2007	Oil	7,200
Brunei	BIA Brunei Investment Agency	30	1983	Oil	90,100
South Korea	KIC Korea Investment Corporation	20	2005	Non-commodity	417
Malaysia	KN Khazanah Nasional	18	1993	Non-commodity	658
Kazakhstan	KNF Kazakhstan National Fund	18	2000	Oil	1,170
Taiwan	NSF National Stabilisation Fund	15	2000	Non-commodity	652
Iran	OSF Oil Stabilisation Fund	13	1999	Oil	174
	Total	$3,077			

Source: The Economist, Morgan Stanley, RIA Novosti, Bloomberg, Freeman & Co. Estimates

Aggressive Investment Style

SWFs have massive amounts of capital to invest but they are more aggressive and have a greater enthusiasm for risk than many other players. The most distinctive characteristics of this new breed of investors in comparison to traditional institutional investors (pension funds, mutual funds, insurers), reside in their liability structure. With no near term liabilities, less frequent pay-out features and no asset allocation limitations, SWFs have a longer term investment horizon and a higher-risk investment style. This gives them a unique competitive advantage in high-risk multi-billion dollar equity deals – e.g. UBS, Citigroup – and positions them as preferred long-term investors for high-alpha investment strategies (private equity, hedge funds, distressed debt) developed by the alternative investment community.



Source: The Economist, Morgan Stanley

Recent Significant SWF Deals

Date	Target	Investor	Deal Value ($MM)	% Acquired
Dec-07	UBS	Government of Singapore Investment Corp	$9,900	minority
Nov-07	Citigroup	Abu Dhabi Investment Authority	7,500	4.9%
Nov-07	Morgan Stanley	China Investment Corporation	5,000	9.9%
Dec-07	Merrill Lynch	Temasek Holdings	4,400	9.5%
Jul-06	Standard Chartered	Temasek Holdings	4,015	11.6%
May-07	Blackstone	China Investment Corporation	3,000	8.0%
Jul-07	Barclays	China Development Company	2,980	3.1%
Jul-07	Barclays	Temasek Holdings	2,019	2.1%
May-07	Deutsche Bank	Dubai International Financial center	1,900	2.2%
Dec-07	UBS	Saudi Arabian Monetary Authority	1,800	minority
		Total	**$42,515**	

Source: Freeman & Co.

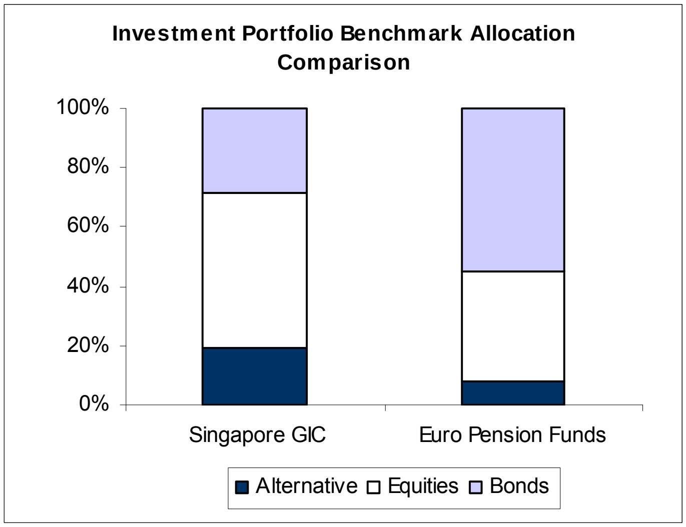
The desire to maximize return on accumulated wealth is leading SWFs to seek high-yield investment strategies and equity-type returns in a proportion that far exceeds typical risk budgets of traditional institutional investors. Taking the example of Singapore Government Investment Corporation fund - controlling assets of $330bn - allocation to the equity asset class represents 50-60% of total assets, along with a 20% allocation to alternative assets. This compares with 30%-40% equity allocation and 5%-10% allocation to alternative assets for many conservative pension funds (typically Continental European funds).

As a result, the emergence of SWFs and their aggressive asset allocation is a boon for the asset management industry. They feed the sector with sizeable, stable and more importantly “high-margin” business at a time when the institutional market is becoming less profitable due to competition from investment banks, slow growth in the defined benefit segment, increased demand for long duration fixed-income solutions, etc.

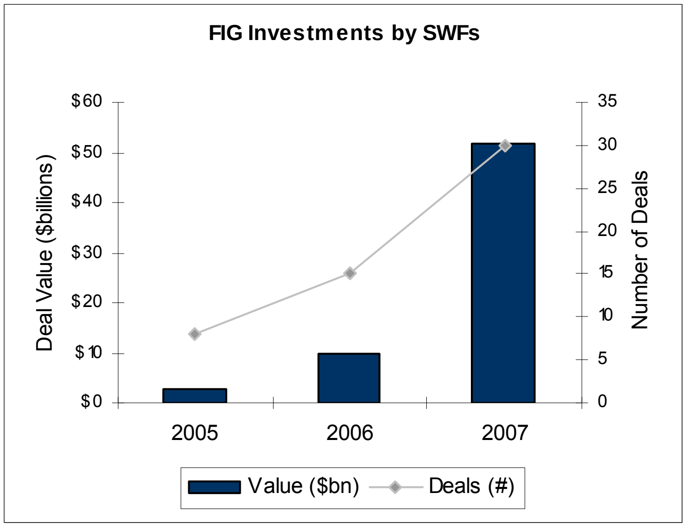
Deal Activity: Financial Services a Key sector

Financial services represent a core sector for SWFs – reflecting the broad growth across the transforming economies - with 53 deals executed in the last 3 years representing a total value of $65 billion. The deal activity has significantly increased in 2007 with the number of deals growing 100% and total deal volume increasing by 420% over 2006. Around 70% of the total investments made over the last 3 years have been deployed in the last two quarters of 2007 (51% in the last quarter). The average deal size increased 169% from $662 million in 2006 to $1.8 billion in 2007.

This surge in deal activity follows the credit crunch in August, which created a range of opportunities for SWFs to invest in large cap public banks (Citi, UBS, MS, etc) with large securities divisions that are attractive from both a valuation and strategic perspective, with a view to create value through long-term exposure.



Source: Henderson, Mercer Investment Consulting

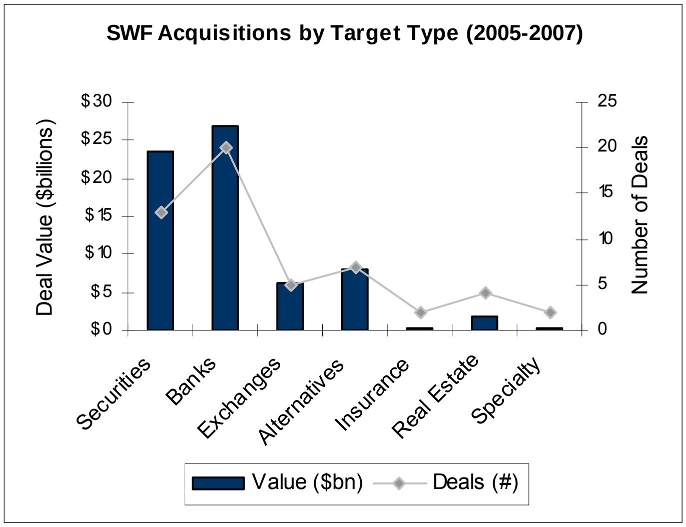


Source: Freeman & Co

SWFs' strategic equity acquisition programs in financials have had no geographic limitations, with the US capturing 23% of total transactions, Europe 26% and Emerging markets 51%. However, in value terms, western countries attracted the bulk (85%) of SWF's global investments with European deals at 44% and US firms at 41% of total deal values.

The most active investors in western financials have been:

- Abu Dhabi Investment Authority with a total of 3 deals and $9.3 billion deployed in 2007
- Temasek Holdings with a total of 3 deals and deployed $6.4 billion in 2007
- Dubai International Center with a total of 3 deals and $4.7 billion deployed in 2007

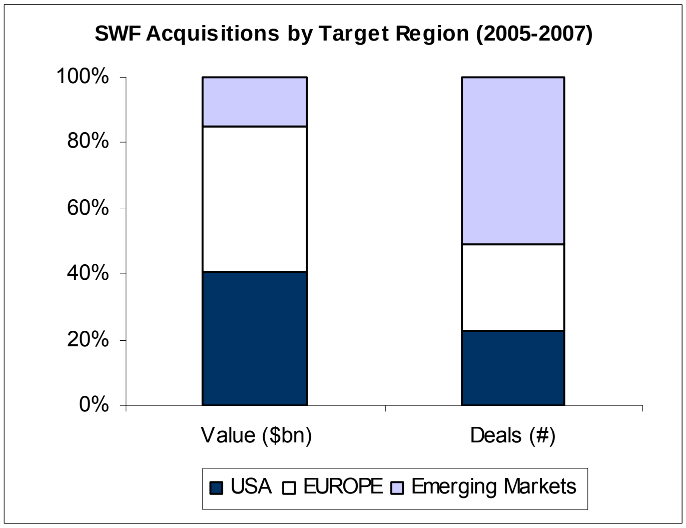


Source: Freeman & Co

Deal Drivers: structural growth

Although SWFs are different in their size, philosophy and geographical approach, we find that a common characteristic is their general interest for best-in-class cash-generative players that are exposed to structural growth.

- Banks with exposure to Asia/Emerging markets: accounted for $26.9 billion in value and 51% in number of deals from 2005 - 2007. This group, such as Standard Bank, Citigroup and Marfin Bank, captures the growth of the emerging middle class in emerging market countries and as such represents a very long-term investment theme that matches the SWF's investment duration. CITIC's investment in Bear Stearns and their agreement to set up a JV in Asia, is another example of these trends.



Source: Freeman & Co

- Banks/financials with strong securities businesses: accounted for $27.6 billion in value and 23% in terms of number of deals form 2005 - 2007. This group includes exchanges, broker-dealers, traders, such as OMX, LSE, Bear Stearns and Morgan Stanley, which are primary beneficiaries of the rapid consolidation of world financial markets and the increased level of volatility. The strategic angle of partnering with international players that can help develop domestic capital markets is also critical for SWFs.
- Alternative investments managers: accounted for $7.5 billion in value and 17% in terms of number of deals. Firms such as Och-Ziff Capital, Apollo, Blackstone and GLG are experiencing strong growth, and they are positioned to capture international growth in alternative asset management. The SWFs get a number of benefits from these deals: return on their investment, co-investment rights, some intellectual capital sharing and a US-based partner. In return, the companies gain large, long-term shareholders that can allocate AUM to products and open doors to other investors in regions where the companies usually do not have proprietary distribution.

Public US Money Managers – Valuations

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

		Stock						Enterprise Value as a		PE	Equity
	End AUM	Price	Equity	Enterprise		LTM (9/30/2007)		Multiple of LTM		Ratio	Value
Company Name	($ bils)	2/15/2008	Value	Value [a]	Revenue	EBITDA [b]	EPS	Revenue	EBITDA	LTM	% AUM
Diversified [c]											
Blackrock	$ 1,299.6	$ 195.78	$ 23,580.0	$ 22,206.3	$ 4,419.0	$ 1,080.9	$ 6.99	5.0x	20.5x	28.0x	1.8%
Eaton Vance	161.7	33.42	4,177.2	4,242.2	1,084.1	371.5	1.67	3.9x	11.4x	20.0x	2.6%
Federated Investors	276.2	41.47	4,302.0	4,321.1	1,086.6	375.5	2.11	4.0x	11.5x	19.7x	1.6%
Franklin Resources	645.9	96.92	24,046.5	21,324.1	6,205.8	2,209.9	7.06	3.4x	9.6x	13.7x	3.7%
Gamco	31.6	57.00	1,605.4	1,559.1	280.4	89.1	2.77	5.6x	17.5x	20.6x	5.1%
SEI Investments	202.0	25.32	4,948.7	4,760.4	1,331.1	444.9	1.32	3.6x	10.7x	19.2x	2.4%
Janus Capital	208.0	25.09	4,347.8	4,870.0	1,116.8	310.8	0.93	4.4x	15.7x	27.1x	2.1%
T Rowe Price	396.8	49.23	13,739.5	12,891.8	2,119.8	1,002.0	2.25	6.1x	12.9x	21.9x	3.5%
Waddell & Reed	55.3	32.09	2,731.9	2,779.3	787.1	201.0	1.48	3.5x	13.8x	21.7x	4.9%
Calamos Investments	46.7	19.79	422.0	467.1	470.5	64.4	1.69	1.0x	7.3x	11.7x	0.9%
Legg Mason	1,011.6	69.08	9,291.6	8,930.7	3,904.6	1,247.1	4.95	2.3x	7.2x	14.0x	0.9%
Cohen & Steers	34.7	25.88	1,030.0	906.1	273.1	112.2	1.76	3.3x	8.1x	14.7x	3.0%
TOTAL	**$ 4,370.1**		**$ 94,222.7**	**$ 89,258.1**			**AVERAGE**	**3.8x**	**12.2x**	**19.3x**	**2.7%**
							MEDIAN	**3.7x**	**11.5x**	**19.8x**	**2.5%**
Alternatives											
Fortress	$ 43.3	$ 12.19	$ 4,957.3	$ 5,212.8	$ 1,419.6	$ 845.7	$ 1.14	3.7x	6.2x	10.7x	11.4%
Blackstone	91.8	16.57	4,209.2	3,599.0	2,483.9	702.3	1.48	1.4x	5.1x	11.2x	4.6%
TOTAL	**$ 135.1**		**$ 9,166.4**	**$ 8,811.8**			**AVERAGE**	**2.6x**	**5.6x**	**10.9x**	**8.0%**
Holding Companies											
Affiliated Managers	$ 276.8	$ 99.82	$ 3,239.5	$ 4,365.4	$ 1,315.7	$ 273.3	$ 4.38	3.3x	16.0x	22.8x	1.2%
Alliance Capital	812.8	62.14	16,249.3	15,724.9	4,539.2	1,491.1	4.98	3.5x	10.5x	12.5x	2.0%
TOTAL	**$ 1,089.6**		**$ 19,488.8**	**$ 20,090.3**			**AVERAGE**	**3.4x**	**13.3x**	**17.6x**	**1.6%**
Bank / Trust Companies [d]											
Boston Private Finl	$ 36.0	$ 20.37	$ 771.6	$ 771.6	$ 378.4	$ 123.0	$ 1.62	2.0x	6.3x	12.6x	2.1%
Wilmington Trust	49.1	32.60	2,216.4	2,216.4	720.3	316.8	2.67	3.1x	7.0x	12.2x	4.5%
TOTAL	**$ 85.1**		**$ 2,988.1**	**$ 2,988.1**			**AVERAGE**	**2.6x**	**6.6x**	**12.4x**	**3.3%**
Overall TOTAL	**$ 5,544.8**		**$ 116,699.6**	**$ 112,336.5**							
							HIGH	6.1x	20.5x	28.0x	11.4%
							AVERAGE	3.5x	11.0x	17.4x	3.2%
							MEDIAN	3.5x	10.6x	17.0x	2.5%
							LOW	1.0x	5.1x	10.7x	0.9%

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

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

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

(b) EBITDA is shown net of minority interest.

(c) EV, BEN and LM fiscal year end of October, September and March have been calendarized.

(d) Enterprise Value calculated as equal to Equity Value

Public European Money Managers – Valuations

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

		Stock						Enterprise Value as a		PE	Equity
	End AUM	Price	Equity	Enterprise		LTM (6/30/2007) [a]		Multiple of LTM		Ratio	Value
Company Name	(bils)	2/15/2008	Value	Value [b]	Revenue	EBITDA [c]	EPS	Revenue	EBITDA	LTM	% AUM
Traditional											
Schroders	£137.6	£9.31	£2,121.5	£1,692.1	£874.3	£314.2	£0.91	1.9x	5.4x	10.3x	1.5%
F&C Asset Management	£101.3	£1.74	£886.9	£927.0	£223.9	£53.2	£0.02	4.1x	17.4x	n/a	0.9%
Henderson Group	£61.6	£0.93	£673.0	£394.6	£337.5	£61.5	£0.09	1.2x	6.4x	9.8x	1.1%
Azimut Holding Spa	€ 14.7	€ 7.24	€ 1,051.7	€ 1,024.3	€ 220.7	€ 170.2	€ 0.82	4.6x	6.0x	8.8x	7.2%
New Star Asset Management	£24.7	£0.96	£224.2	£489.9	£160.8	£95.5	£0.18	3.0x	5.1x	5.2x	0.9%
Liontrust Asset Management	£5.5	£2.82	£94.9	£85.8	£30.8	£11.2	£0.26	2.8x	7.6x	10.7x	1.7%
Aberdeen Asset Management	£95.3	£1.41	£883.7	£889.9	£347.8	£96.5	£0.14	2.6x	9.2x	9.8x	0.9%
							AVERAGE	2.9x	8.2x	9.1x	2.0%
							MEDIAN	2.8x	6.4x	9.8x	1.1%
Alternative											
RAB Capital	£3.3	£0.69	£421.9	£363.0	£137.2	£42.0	£0.07	2.6x	8.6x	9.2x	12.6%
MAN Group	£33.6	£5.55	£10,883.9	£9,177.0	£1,204.1	£782.5	£0.34	7.6x	11.7x	16.5x	32.3%
Ashmore Group	£15.8	£2.69	£1,908.8	£1,690.8	£159.8	£121.7	£0.13	10.6x	13.9x	20.8x	12.1%
Charlemagne Capital Limited	£2.5	£0.62	£175.9	£151.7	£41.7	£21.7	£0.06	3.6x	7.0x	9.8x	6.9%
BlueBay Asset Management	£6.5	£2.50	£475.0	£423.4	£109.2	£52.2	£0.19	3.9x	8.1x	13.2x	7.3%
Polar Capital Holdings	£1.9	£1.50	£101.3	£78.8	£46.1	£11.2	£0.29	1.7x	7.0x	5.2x	5.4%
							AVERAGE	5.0x	9.4x	12.4x	12.8%
							MEDIAN	3.8x	8.4x	11.5x	9.7%
TOTAL	**£499.6**		**£19,559.6**	**£17,054.2**							
							TOTAL				
							HIGH	10.6x	17.4x	20.8x	32.3%
							AVERAGE	3.9x	8.7x	10.8x	7.0%
							MEDIAN	3.0x	7.6x	9.8x	5.4%
							LOW	1.2x	5.1x	5.2x	0.9%

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

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

(a) Liontrust, Man Group, Aberdeen and Polar are using numbers for LTM 9/30/2007

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

(c) EBITDA is shown net of minority interest.

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