Winds of Change

First Half 2009 M&A Activity in the Asset Management, Broker/Dealer and Financial Technology Industries

Jefferies Putnam Lovell
A division of
Jefferies & Company, Inc.

Jefferies Putnam Lovell Senior Bankers

Aaron H. Dorr
adorr@Jefferies.com
+1 212.323.3970

Karamvir Gosal
kgosal@Jefferies.com
+1 212.323.3937

Nirav Hathi
nhathi@Jefferies.com
+44 (0)20.7029.8161

Kevin J. Pakenham
kpakenham@Jefferies.com
+44 (0)20.7029.8160

Jeffrey C. Bechtel
jbechtel@Jefferies.com
+1 415.229.1472

Christopher J. Browne
cbrowne@Jefferies.com
+1 212.323.3978

Krzysztof Owerkowicz
kowerkowicz@Jefferies.com
+44 (0)20.7029.8166

2009 began with the widely-held hope that the worst of the financial crisis was behind us. Drawing shaky confidence from the massive intervention by global governments to stabilize the world's financial institutions, investors braced themselves as the greatest recession since World War II took its course. Financial markets descended to extreme lows in early March when a few large banks teetered on the brink of collapse, threatening to bring down the global financial system. Investors breathed a collective sigh of relief, however, as stimulus programs began to take hold and signs of recovery appeared, sending stock markets soaring. Asset management, securities brokerage/services and financial technology firms were among the best performers in the period, but the extreme market volatility contributed to another period of anemic transaction activity in these sectors.

- The first half of 2009 was a consolidator's market in the asset management sector. Strategic buyers that could consolidate operations, merge funds and rationalize staff were the most logical buyers for the many smaller/troubled firms that transacted. Private equity firms, while active in many processes, struggled to find the higher-quality targets they covet. When they did, they acted aggressively but were often trumped by strategic buyers able to pay higher prices based on expected synergies.
- The universe of buyers and sellers in the asset management sector remained shallow. Divestiture activity was robust, but the lack of cross-border transactions and an absence of deals involving independently-owned firms – a typically large component of the supply side of asset management transactions – further eroded overall deal volumes. Active buyers are largely limited to pure play asset managers capable of driving synergies and cash-rich financial sponsors eager for true third party businesses, as the commercial and investment banks and insurance companies have all but left the playing field.
- Alternative asset management transactions have abated, with activity marked by smaller and distressed sellers seeking a safe haven from the turbulent markets. Opportunistic buyers continue to sift through the rubble in search of wounded but capable managers. Ongoing concerns surrounding gates, fee levels and high water marks has stifled strategic deal activity, but buyers are taking note of the stellar performance being generated and the return of asset flows into the alternative sector.
- Earnings multiples of publicly-traded asset managers surged to well above long-term average levels. Trade sale multiples were less resilient, on the whole, even though high quality targets still attracted rich bids. The rally provided a welcome opportunity for a number of asset managers to raise equity capital and de-lever their balance sheets. While the IPO window remained closed, rising public multiples will surely entice some managers to attempt a flotation, provided the economy continues to recover.
- Transaction activity in the financial technology and securities brokerage/services sectors has receded in line with overall M&A volumes. As in the asset management space, capital pressures have driven divestiture activity, especially in the brokerage and transaction processing sectors. Pending regulatory reforms are also a key catalyst for deal flow.

This document is a marketing communication; it is not and should not be construed as investment research.

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Executive Summary

- Global asset management transaction volumes fell substantially during the first half of 2009 amidst the world-wide economic slump. Buyers acquired full or partial interests in 73 asset managers during first half of 2009 versus 109 in the same period in 2008, a 33% decline in deal volume. Disclosed deal values totaled $13.9 billion, nearly double the amount spent in the first half last year, but 96% of this year's figure was due to the $13.5 billion purchase of **Barclays Global Investors** by **BlackRock**, the largest deal ever in the money management industry by AUM transacted and second largest by deal value. Firms managing more than $2.2 trillion of assets transacted in the first half, nearly three times greater than the figure from 1H08. However, after adjusting for the two largest transactions in the period – BlackRock/BGI and the merger of the asset management units of **Société Générale** and **Crédit Agricole** – transacted AUM fell by 28% from the prior year.

- There was a pronounced "barbell" in global transaction activity in the first half of 2009 – a handful of large divestiture, merger and minority stake deals involving primarily bank-owned asset managers, along with numerous sales of small, often stressed firms. Only one control transaction – the distressed sale of **New Star Asset Management** to **Henderson Group** – was announced involving a target with AUM of between $10-99 billion, compared to 15 such deals in all of 2008. Notably, the median asset size of firms that transacted in the first half was approximately $800 million, the lowest level in more than a decade and 58% lower than the linked period a year ago.

- Banks and insurance companies needing to repair their battered balance sheets were, not surprisingly, the most active sellers of asset management businesses, accounting for 98% of announced deal value and 92% of AUM transacted in the first six months of the year. Divestitures accounted for more than half of all transactions for the first time in five years, up slightly from the levels witnessed in 2H08. Only 35 independently owned firms with $94 billion in aggregate AUM – less than 5% of the total AUM transacted – traded in the first half, as most independent managers remained on the sidelines awaiting a rebound in asset flows, margins and multiples.

- Asset managers were the most active buyers, accounting for 36% of all deals in the first half. While the industry is still confronted by many challenges, asset managers have taken aggressive steps to address the most critical issues facing their firms, mainly the need to rationalize their expense base. As a result, they have begun to focus outwardly, seeking to take advantage of unique acquisition opportunities to add scale, fill product gaps, and secure talent – all at attractive prices.

- Private equity firms remain interested in asset management but the number of announced sponsor-led deals decreased from prior periods. A host of factors, including i) uncertainty regarding industry fundamentals, ii) the mixed quality of larger managers for sale, iii) the limited number of strong independents willing to transact, iv) the distressed nature of many smaller managers, v) the absence of leverage and vi) uncertain exit paths – all conditions which favor consolidators – dampened private equity enthusiasm.

- Creative structuring continued to play an important role in completing transactions, particularly those involving distressed targets. Revenue sharing arrangements, sizable multi-year earnouts, and cash-less mergers were all prevalent as buyers and sellers sought ways to bridge pricing gaps and overcome capital constraints to achieve their strategic objectives. In its acquisition of **Deephaven Capital Management**, founders of **Stark Investments** paid only 16% of the potential purchase price upfront, with the remainder payable via a two-year earnout.

- Price disparity reached an all-time high as certain trophy targets attracted strong double digit EBITDA multiples while many subscale or ailing managers traded at steep discounts. Listed managers are once again trading at robust multiples following the group's 31% run-up in stock prices, on average, in the first half of the year. Despite the market rally, the IPO window for asset managers remained closed. However, the growing chasm between public and trade sale multiples will help fuel a rebound in M&A and IPO activity over the next 12 months, provided economic conditions improve.

- Cross-border activity ground to a halt as cautious buyers were reluctant to stray too far from home markets in search of targets without stronger indications that global recovery was on the way. Cross-border deals represented only 16% of transaction volume and 2% of transacted AUM, both record lows. Globalization remains one of the strongest secular drivers of transaction activity however, and we expect the lull in cross-border activity to be short-lived. While technically not cross-border, the BlackRock/BGI deal illustrated that buyers remain committed to gathering clients worldwide and expanding global investment capabilities.

- Buyer interest in alternative asset managers understandably waned given the wrenching changes taking place in the industry. The median asset size of the firms transacting dropped nearly 40% from the first half of last year, and with some exceptions, activity was characterized by distressed sellers entering into in-market consolidation transactions. The historical buyers – investment banks and active acquirers such as **Affiliated Managers Group** and **Goldman Sachs Petershill Fund** – were noticeably absent from the market. Alternative manager volume still accounted for 26% of the total, however, down only modestly from the record levels of the past three years. Hedge funds remained the most attractive targets, while deals involving FOHFs have all but disappeared since the Madoff scandal was revealed late last year.

- Financial technology transaction activity declined approximately 45% in the first half of 2009, mirroring the drop off in overall global M&A volumes. The increased focus on regulatory issues and the need for capital and scale advantages were the primary drivers of consolidation in the space. The combination of industry leaders **Fidelity National Information Services** and **Metavante Technologies** underscored deal activity in the period and may spur further consolidation in the banking technology and payment processing sectors.

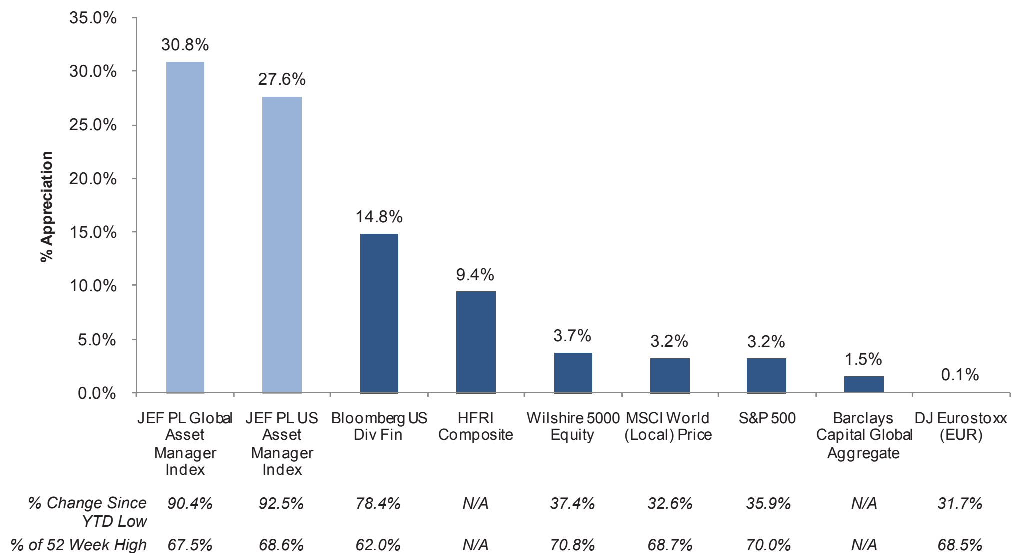
- Apart from the combination of **Smith Barney** and **Morgan Stanley's** retail brokerage unit in early January and **Citigroup's** sale of **Nikko Cordial** to **Sumitomo Mitsui**, the first half of 2009 saw few headline deals in the securities brokerage and exchange sector. Following a massive wave of retail brokerage consolidation, larger firms have largely stepped back from the table to focus on integration and other internal issues, contributing to a slowdown in the sector's M&A activities. However, mid-sized broker dealer divestitures by large financial institutions are in process, and acquisitions of smaller firms continued, motivated by buyers' desires to build market share and in response to the fundamental changes taking place in the OTC derivatives market.

Introduction: Riding the Roller Coaster

2009 began with governments and central banks around the world battling a severe economic recession. Rising unemployment, dismal corporate earnings, high credit default rates and growing deficits all suggested a long road to recovery. Equity markets crumbled in the first two months of the year – featuring the worst-ever January and the second-worst ever February for the S&P 500 index. International indices fared even worse. By early March major equity benchmarks had plummeted by as much as 25% from year-end 2008 levels, in some cases wiping out more than a decade of stock market gains. **Citigroup**, **Bank of America** and other major financial institutions teetered on the brink of collapse, threatening to bring down the entire global financial system.

The numerous economic and fiscal stimulus programs instituted by governments around the world helped spur a furious market rally. While overall economic fundamentals remained decidedly weak, certain indicators turned positive, cheering investors looking for even the slightest signs of recovery. Equity and credit markets began to thaw, allowing firms to raise a significant amount of capital from investors hungry for new offerings. The gut-wrenching volatility had largely subsided by June. Major equity market indices rebounded more than 30% from 2009 lows and several ended the first half in positive territory. As evidence of the market's remarkable roller coaster ride, by July some banks had even begun reporting record quarterly revenue and earnings.

EXHIBIT 1: Performance of Major Capital Markets Benchmarks and Financial Sector Indices, 1H2009



	JEF PL Global Asset Manager Index	JEF PL US Asset Manager Index	Bloomberg US Div Fin	HFRI Composite	Wilshire 5000 Equity	MSCI World (Local) Price	S&P 500	Barclays Capital Global Aggregate	DJ Eurostoxx (EUR)
% Change Since YTD Low	*90.4%*	*92.5%*	*78.4%*	*N/A*	*37.4%*	*32.6%*	*35.9%*	*N/A*	*31.7%*
% of 52 Week High	*67.5%*	*68.6%*	*62.0%*	*N/A*	*70.8%*	*68.7%*	*70.0%*	*N/A*	*68.5%*

Source: Bloomberg, Hedge Fund Research, Jefferies Putnam Lovell

Many financial firms took advantage of the accessible capital markets to repair their balance sheets. The 19 US banks subjected to "stress-tests" raised nearly $130 billion in equity and debt in 2Q09, substantially more than the amount prescribed by the government. **HSBC Holdings**, one of the few major banks to avoid taking government funding, alone raised $19.4 billion in a massive rights offering to boost capital and cover losses from bad loans. Asset managers also joined the fray, with **Fortress Investment Group**, **GLG Partners**, **Invesco**, and **Janus Capital Group** all announcing plans to raise fresh capital, in most cases to de-lever their balance sheets or to pursue new growth opportunities.

In addition to tapping the capital markets, a growing number of financial institutions sought to raise capital by selling off non-core businesses, including their asset management franchises. At least a dozen of the largest banks and insurance companies in the US and Europe are known or speculated to be divesting their investment management units, following transaction announcements by **Credit Suisse** and **Lehman Brothers** late last year and **Barclays** earlier this year. Such sale decisions are contributing to the most radical reshaping of the asset management sector on record.

The turmoil in the financial markets whipsawed the stock prices of public asset managers. True to form as levered plays on the markets, public managers were battered more than most last year, with the Jefferies Putnam Lovell Global Asset Management Index down more than 50% in 2008. In the first half of 2009, however, the index snapped back more than 30%, outperforming all of the major market benchmarks and all S&P 500 industry sub-indices. From its trough in early March through the end of June, the global asset manager index climbed a staggering 90%. Yet despite the rally, most managers still sit well below their 52-week highs, highlighting the extreme volatility in the sector.

Stock prices of firms which suffered the most during the financial crisis led the way when markets rallied. Fortress Investment Group, whose stock price last year slid 94%, topped the charts in the first half of 2009 with a 242% return. The three other US-listed alternative managers – **GLG Partners**, **Och-Ziff Capital Management** and **The Blackstone Group** – were also amongst the best performers of the half.

EXHIBIT 2: Stock Performance of the Largest Quoted Fund Managers Worldwide, 1H2009

Company	Country	Diluted Market Cap US$(MM)[1]	1H 2009 % price change (native currency)	% Change Since 52-Week Low	6/30/2009 Stock Price as % of 52-Week High
Fortress Investment Group LLC	US	$1,391	242%	344%	25%
Calamos Asset Management, Inc.	US	1,372	93%	453%	59%
Azimut Holding Spa	Italy	1,357	81%	129%	90%
GLG Partners, Inc.	US	1,384	80%	120%	43%
Waddell & Reed Financial, Inc.	US	2,270	80%	208%	64%
GAMCO Investors, Inc.	US	1,346	78%	132%	73%
Och-Ziff Capital Management Group LLC	US	3,175	75%	185%	46%
Henderson Group plc	UK	1,080	65%	91%	63%
The Blackstone Group L.P.	US	1,919	61%	197%	54%
DundeeWealth Inc.	Canada	1,124	47%	126%	56%
Ashmore Group plc	UK	2,245	46%	104%	69%
Partners Group Holding	SWI	2,588	46%	109%	72%
Federated Investors, Inc.	US	2,478	45%	52%	66%
Janus Capital Group, Inc.	US	1,838	43%	206%	31%
AGF Management Ltd.	Canada	997	41%	85%	49%
Affiliated Managers Group, Inc.	US	2,771	39%	225%	51%
Value Partners Group Ltd.	Hong Kong	696	36%	144%	50%
CI Financial Corp.	Canada	4,854	35%	81%	80%
BlackRock, Inc.	US	23,888	32%	97%	70%
JPL Global Asset Management Index[2]			**31%**	**90%**	**68%**
Cohen & Steers, Inc.	US	630	30%	95%	45%
F&C Asset Management plc	UK	350	28%	136%	47%
Invesco Ltd.	US	7,012	25%	113%	61%
Platinum Asset Management Ltd.	Australia	1,867	23%	58%	91%
Eaton Vance Corp.	US	3,665	22%	113%	61%
IGM Financial Inc.	Canada	9,474	19%	70%	89%
T. Rowe Price Group, Inc.	US	11,137	19%	107%	62%
Man Group plc	UK	5,932	17%	74%	43%
Franklin Resources, Inc.	US	16,912	14%	94%	54%
Legg Mason, Inc.	US	3,616	14%	136%	53%
Aberdeen Asset Management plc	UK	$1,462	6%	65%	78%
S&P 500 Index			**3%**	**36%**	**70%**
AllianceBernstein Holding L.P.	US	1,847	(2%)	99%	36%
Schroders plc	UK	3,801	(2%)	33%	67%
Perpetual Limited	Australia	970	(22%)	32%	54%

[1] US dollar denominated fully diluted market capitalization calculated using share prices and exchange rates as of 6/30/09.
[2] Represents US dollar denominated market capitalization-weighted average.
Source: Company filings, Capital IQ

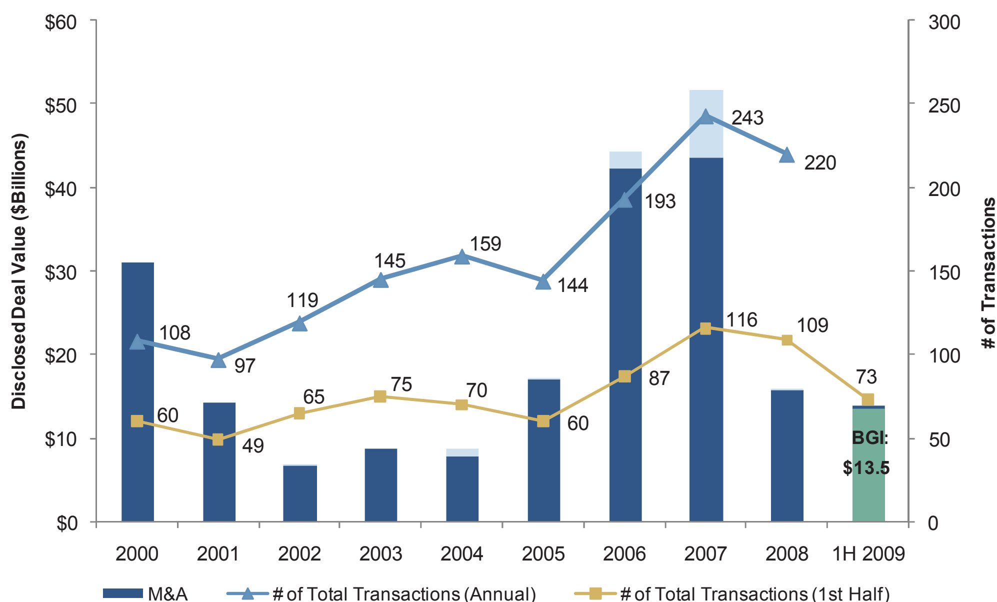
Overview: Transaction Activity in Asset Management for 1H2009

The global economic meltdown served to stall M&A activity across nearly every industry sector. Around the world buyers spent in excess of $940 billion on more than 17,000 announced transactions, according to Thomson Reuters, representing a 40% decline in dollar volume versus the first half of last year. First half volumes were the lowest in five years, with the largest slowdowns seen in the US and Europe. Private equity buyers accounted for an anemic $33 billion of announced deal values, the lowest level for an opening half in 12 years and nearly 80% lower than last year's tally. Among other factors, the absence of leverage to enhance returns steered most financial sponsors to the sidelines to await more accommodating markets.

Interestingly, the economic crisis actually fueled a significant amount of deal activity in the financial services sector as governments around the world made sizable investments in ailing banks and insurance companies. The UK Treasury for example announced plans in February to inject up to $36 billion into **RBS** in one of the largest transactions of the year in any industry. More than 20% of global M&A volume was related to government purchases, by far the largest percentage on record. Many bailout recipients, in turn, sought to sell non-core businesses to raise capital to repay their debts, further contributing to deal activity and making financial services the most active sector in the first half.

By some measures it would appear M&A activity in the global asset management industry remained robust – while the 73 announced transactions was down by a third compared to the first half of 2008, disclosed deal values and AUM transacted nearly matched or exceeded 2008 full-year totals. In truth, two transactions – **BlackRock's** purchase of **Barclays Global Investors** and the merger of the asset management units of **Société Générale** and **Crédit Agricole** – severely skewed the aggregate figures. The BGI deal alone accounted for $13.5 billion of the nearly $14 billion of disclosed deal values in the period. Excluding this single transaction, deal values declined by 93% to the lowest half-year total in at least a decade.

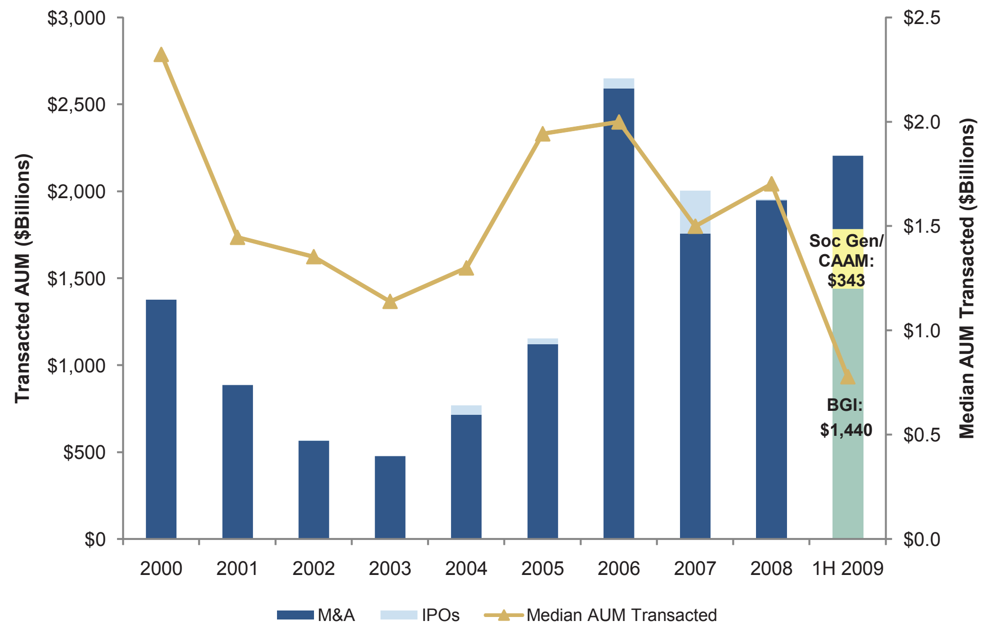
EXHIBIT 3: Historical Transaction Activity Involving Asset Management Targets



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Jefferies Putnam Lovell

The levels of AUM transacted were also heavily influenced by those deals: the combination of BGI's $1.4 trillion of AUM and SGAM's $340 billion of AUM accounted for more than 80% of the $2.2 trillion of assets transacted in the period. Adjusting for these deals, transacted AUM declined by 28% compared to the linked period last year.

EXHIBIT 4: Transacted AUM in Asset Management Deals Worldwide



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Jefferies Putnam Lovell

The first half of 2009 was characterized by a handful of large divestiture, merger and minority stake deals primarily involving bank- and insurance-owned asset managers, along with numerous sales of small, often stressed firms, creating a pronounced "barbell" in global transaction activity. In addition to BlackRock/BGI and CAAM/SGAM, there were two other transactions involving asset managers with $100 billion or more in assets under management or contract: Global reinsurer **Swiss Re** sold insurance asset manager **Conning & Co.** to **Aquiline Capital Partners** as part of its strategy to simplify its business, while **Mitsui Life Insurance** sold its 25% stake in **Sumitomo Mitsui Asset Management** to a trio of related banks and insurers. These four transactions accounted for 91% of the total AUM transacted in the period.

Two other large "transactions" involved parent companies simply buying in additional stakes in majority-owned subsidiaries. **Janus Capital** continued its string of incremental purchases of **INTECH** with a 3% purchase in May, bringing its ownership in the quant manager to 92%. **JP Morgan** also bought in the rest of **Highbridge Capital Management** it didn't already own, taking full ownership of the $21 billion hedge fund manager it initially acquired in 2004.

EXHIBIT 5: Largest Asset Management Deals by Transacted AUM, 1H2009

Date	Target	Ctry	Type	Acquirer	Ctry	AUM ($MM)	% Acquired
Jun-09	Barclays Global Investors	US	Div	BlackRock, Inc.	US	$1,440,000	100%
Jan-09	Société Générale Asset Management	FR	Div	Crédit Agricole SA	FR	343,085	75%[1]
Jan-09	Sumitomo Mitsui Asset Management Co.	JN	Div	Sumitomo Mitsui Banking / Mitsui Sumitomo Insurance Co. / Sumitomo Life Insurance Co.	JN	122,430	25%
Jun-09	Conning & Company	US	Inst	Aquiline Capital Partners LLC	US	100,000	100%
Feb-09	Apax Partners LLP	UK	Alt	GIC Special Investments and Future Fund	Singapore	40,000	8%
May-09	INTECH (Enhanced Investment Technologies)	US	Inst	Janus Capital Group, Inc.	US	38,319	3%
Jun-09	Highbridge Capital Management	US	Alt	JPMorgan Chase & Co.	US	21,000	23%
Jan-09	New Star Asset Management Group plc	UK	Div	Henderson Group plc	UK	14,373	100%
Apr-09	Woori Credit Suisse Asset Management	Korea	MuFu	Woori Finance Holdings	Korea	9,417	30%
Apr-09	Augustus Asset Managers Ltd.	UK	Div	Julius Baer Holding AG	SWI	7,600	100%

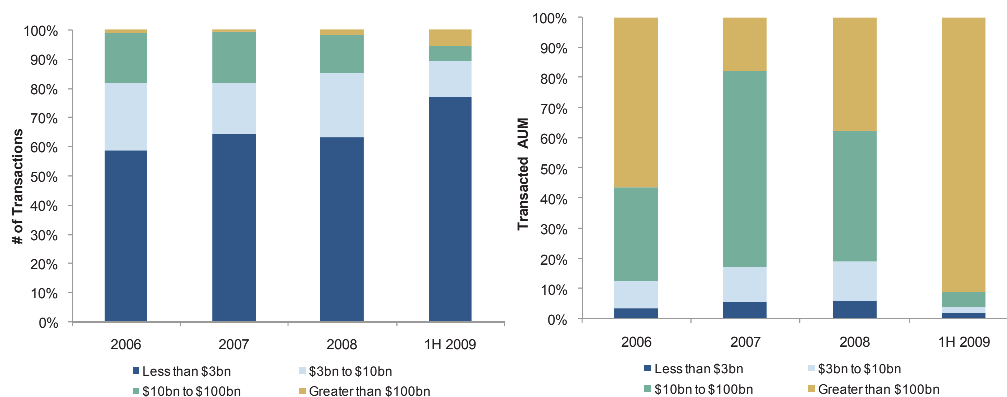
[1] The CAAM/SGAM transaction was a contribution deal where Crédit Agricole received 75% and Société Générale received 25% of the equity in the combined entity.

Data converted to US currency at time of announcement. Announced transactions only.

Source: Jefferies Putnam Lovell

On the other end of the spectrum were numerous small transactions motivated in many cases by survival. For example, **Capital Dynamics** agreed to purchase **HRJ Capital** after it was reported that the $2.1 billion private equity FOF manager was unable to raise the requisite capital from LPs to satisfy commitments to its underlying fund managers. In other cases, management teams took advantage of the market turbulence to regain their independence or add more supportive owners. Management of $2 billion MLP specialist **Tortoise Capital Advisors** partnered with **Mariner Holdings** to buy back all of the ownership interests held in the firm by initial backers **Kansas City Equity Partners** and **Fountain Capital Management**. Regardless of motivation, small deals made up the vast majority of deal volume – nearly 75% of all sellers managed less than $3.0 billion of client assets, a record high. Notably, the median asset size of firms that transacted in the first half was $800 million, the lowest level in more than a decade and 58% lower than the linked period in 2008.

EXHIBIT 6: Distribution of Deal Activity by Target AUM



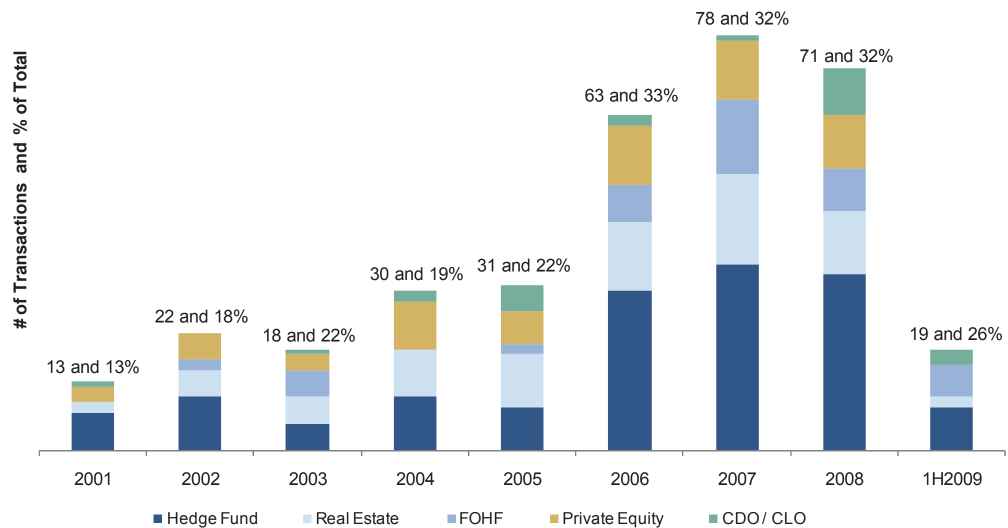
Note: Includes minority transactions, recapitalizations and IPOs.

Source: Jefferies Putnam Lovell

The overall decrease in deal activity in the first half was due to the near absence of key bellwethers of transaction activity in recent years. First, deals involving mid-sized independently-owned firms, which in normal years represent a substantial portion of the supply-side of the market, were virtually non-existent. Only 35 independently owned firms with less than $95 billion in aggregate AUM – less than 5% of the total AUM transacted – traded in the first half. Most managers were simply engrossed in addressing internal issues involving clients, employees, performance, or a combination of the three, pushing any kind of M&A activity down the priority list. Depressed pricing levels also kept many prospective sellers on the sidelines. In general, those that didn't have to sell didn't. As evidence, only one control transaction – the distressed sale of **New Star Asset Management** to **Henderson Group** – was announced in the first half of the year involving a target with AUM of between $10-99 billion, compared to 15 such deals in all of 2008. Similarly, excluding US subsidiaries of foreign financial services firms (BGI, Conning), there were no control transactions announced involving US targets with AUM greater than $3 billion, compared to 22 such deals in all of 2008.

Second, transactions involving alternative asset managers, which had reached record levels in recent years, declined as buyers avoided alternative asset classes during the extreme market turmoil of the past year. While transactions involving alternative asset managers accounted for a surprising 26% of the total in the first half of the year, the vast majority involved smaller hedge funds, and most were distressed situations. **Fortress Investment Group** was selected to take over the liquidation of **D.B. Zwirn's** $2.5 billion in hedge fund assets following substantial redemption requests from investors. Few notable transactions were truly strategic in nature, though **Apax Partners**, the London-based private equity firm, sold a minority stake to **GIC Special Investments** and the Australian public pension plan **Future Fund** to raise capital for future acquisitions.

EXHIBIT 7: Historical Transaction Activity Involving Alternative Asset Management Firms

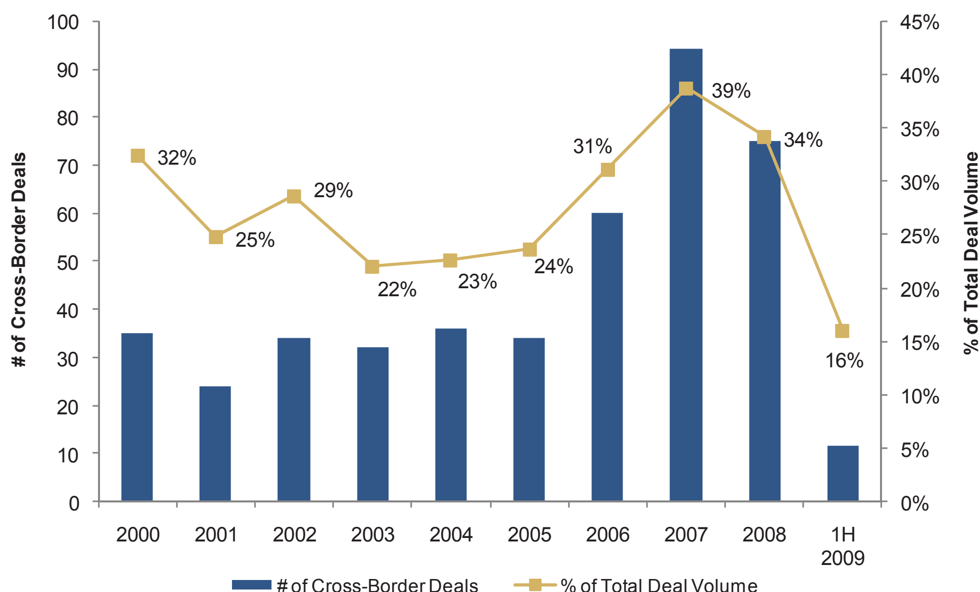


Note: Includes minority transactions, recapitalizations and IPOs.
Source: Jefferies Putnam Lovell

Third, cross-border transaction activity dropped to record lows in the first half of 2009, as buyers shied away from overseas growth and focused on core businesses and home markets. In addition to representing only 16% of transaction volume, cross border transactions were among the smallest in recent years, with only three transactions involving targets with AUM greater than $3 billion. Swiss private bank **Julius Baer** enhanced its private client business in Italy by acquiring **Alpha SIM**, a wealth manager with approximately $550 million in assets under management. In July, Japan's **Nomura Asset Management** expanded its reach into

India by acquiring a 35% stake in **LIC Mutual Fund**, the asset management subsidiary of **Life Insurance Corporation of India** with more than $6.5 billion in AUM.

EXHIBIT 8: Historical Cross-Border Transaction Activity



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Jefferies Putnam Lovell

Finally, there were no IPOs attempted in the first half, unsurprising given the volatile markets. **KKR** officially withdrew its expected $1.2 billion NYSE IPO, announcing instead a plan to merge into its Amsterdam-listed affiliate, **KKR Private Equity Investors**. However, several managers with public-market ambitions are dusting off their filings. In June, Julius Baer re-filed an S-1 for **Artio Global Investors**, the international equity specialist. With the listed asset management universe already up 30% as of June 30 and again trading at flush multiples, we expect a few select managers to test the public markets over the next 12 months provided economic conditions continue to improve.

On the buyer side of the equation, 2009 has been, and continues to be, a consolidator's market. Given the mixed quality of available targets – whether captive managers with little or no third party distribution, or alternative firms hampered by significant redemptions – the best buyers are entities with existing asset management operations that can provide distribution support for under-sold products, merge underperforming funds, consolidate back offices, and rationalize staffing to enhance profitability. Large pure play asset managers have practically had the field to themselves as the commercial and investment banks and the insurance companies have been too distracted by more pressing internal issues or have become sellers themselves.

Conversely, it has been a challenging market for private equity firms, which generally covet third party managers with stable revenues, strong margins and clear growth prospects – targets which have been noticeably absent from the market for at least the last nine months. While sponsors have been highly active in evaluating the many divestiture deals that have come to market, most have either walked away disappointed by the quality of targets following initial diligence or have been trumped by strategics able to pay higher prices based on expected synergies.

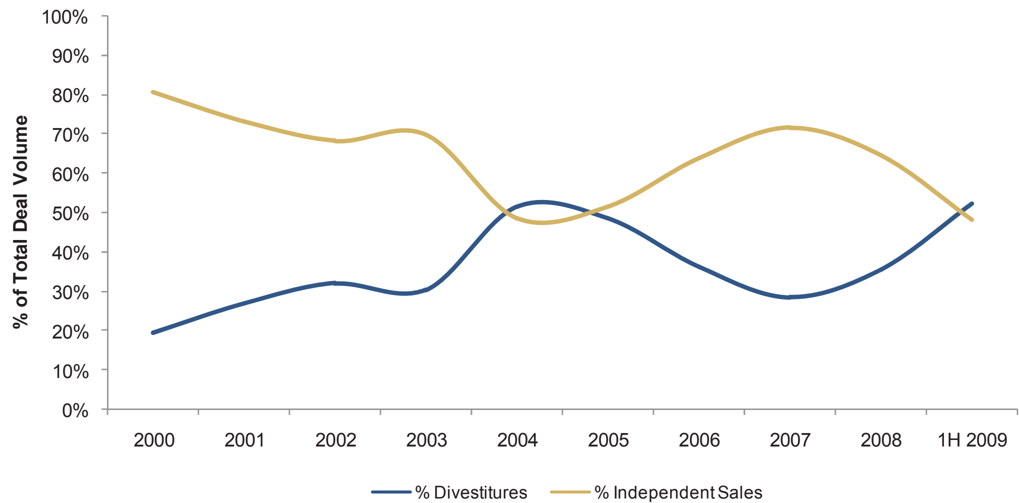
While the transaction environment continues to be difficult, the industry as a whole is clearly on much more stable footing than when the year began. The ongoing realignment of the industry

will provide buyers unique opportunities to acquire sizable platforms in new markets, or gain scale in existing ones; deal sizes will continue to be rather chunky. In time, independents will be drawn back to the markets as the buyer universe expands and transaction multiples creep back toward the currently rich public-market pricing levels.

Sellers: Divestitures Drive Deal Flow

Divestitures continue to drive M&A activity. In the first half of 2009 more divestitures occurred than sales of standalone asset management businesses, with divestitures representing 52% of all asset management transactions announced.

EXHIBIT 9: Percentage of Divestitures and Independent Sales



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Jefferies Putnam Lovell

This trend is further underscored in terms of AUM transacted, with 95% of transacted AUM a result of disposals, versus 52% in 2008 and 35% in 2007. Five of the top 10 transactions by AUM were divestitures, including the four largest – and all of them had in excess of $100 billion in assets under management or contract. In the case of three of them – BlackRock/BGI, CAAM/SGAM, and Aquiline/Conning – control of the business changed hands. Sumitomo Mitsui's transaction was a reorganization of the ownership structure, with Mitsui Life selling down its stake. This activity at the top end of the spectrum signals that large companies with at-scale, successful asset management businesses are willing to dispose of them because they are not core to their operations.

It is important to note the market position of companies that are trading their asset management units. These companies are facing certain business obstacles rather than being truly distressed, and they are willing to sell their well-run asset management "jewels" to further protect their capital positions. Barclays, for example, was seeking to avoid taking government money and becoming subject to related onerous constraints and monitoring. It sold a business that is an innovator in the market, and a leader in one of few consistently growing market segments – ETFs. SGAM was among the bank-owned asset management franchises in Europe that are least dependent on their parent companies for distribution. Its sale in exchange for a minority stake in a combined domestic behemoth largely dominated by Crédit Agricole's distribution network indicates that a strong third party franchise may not be the only way to maximize value. The combined business will be able to drive down the cost-income ratio of the operation and benefit from the stability of captive sales channels, likely generating strong profit growth for its two owners.

These transactions do not represent complete withdrawals from the asset management industry for the divesting parent companies. In both cases, the selling banks retained a stake in the successor entity – Barclays retained a 19.9% stake in BlackRock, while Société Générale retained a 30% stake in the newly-formed CAAM/SGAM entity. Beyond its retained ownership, Barclays will recognize an estimated gain on the sale of $8.8 billion, strengthening its regulatory capital ratios.

Going forward, more large diversified financial institutions are expected to divest their investment management businesses, which for some will represent reversals of acquisitions made in the late 1990's and early 2000's. Many have spent the past several months resolving financial issues at the parent-company level and are now proceeding to more strategic matters, including determining which divisions and subsidiaries are truly core. Banks and insurance companies have long argued that asset management provides overall earnings stability owing to its fee-based revenue stream, and investors would therefore ascribe a higher multiple to the overall entity. For the vast majority of such firms, however, their captive asset managers never became large enough to make a meaningful earnings contribution and thus many will come to the conclusion that asset management is not core to their franchise. Those that deem it to be core will be faced with the challenge of investing adequate capital to support future growth of the business, particularly in the face of the consolidation in the brokerage industry, which has created a virtual distribution oligopoly.

Following **Wells Fargo's** purchase of **Wachovia**, **BNP's** purchase of **Fortis**, **Lloyds'** government-sponsored acquisition of **HBOS**, and **Commerzbank's** acquisition of **Dresdner Bank**, the buyers are reviewing the entire portfolio of companies they acquired and are determining what to retain and what to divest. Shortly after completing its acquisition of Dresdner, for example, Commerzbank announced the sale of its securities lending business to **Deutsche Bank**, the sale of the private client business **VPV** to management, and the sale of its Swiss private banking business to **LGT Group**, with further divestitures expected.

Asset managers that were on the buyer end of recent divestitures are themselves doing follow-on sales of certain assets that did not well fit with their existing platform. In July, Aberdeen sold to **Premier Asset Management** a number of funds with approximately $1.4 billion in AUM it had acquired with the purchase of **Credit Suisse Asset Management** last January. Similarly, sellers that are left with stub businesses not included in prior transactions will be conducting further sale process, such as Credit Suisse's sale of its Czech business to **WOOD & Company**, also in July. We may see similar offshoots of recent transactions over the next 18 months.

Despite the growing ability of banks and diversified financial institutions to raise capital in the public markets, further disposals are likely to continue. Recent sales of strong businesses have made transactions even at the current, depressed valuations politically acceptable. Further, such business reorganization and stream-lining may be needed to convince the public markets to provide fresh capital to complex financial holding companies. These decisions will no longer be driven by desperation alone; rather they will be driven by strategy and recognition of the limited benefits of holding on to non-core asset management platforms.

In summary, we expect more businesses to come to market, ranging from captive fixed income-oriented platforms to third party, institutional boutiques developed or previously purchased by larger financial institutions. Many bank- and insurance-owned businesses are known or rumored to be for sale in the US, UK, as well as continental Europe. Numerous financial groups spurred on by the CAAM/SGAM deal are looking for partners for their asset management franchises – some wishing to end up as the majority owner but increasingly getting comfortable with being a minority partner, especially if the other party has a substantial distribution network. Often firms are satisfied remaining minority partners as they may realize meaningful balance sheet benefits in return for parting with a controlling stake in their asset

management businesses. This increase in the number of potential sellers is likely to lead to an increase in the number of significant transactions involving large businesses which despite their scale have been unable to deliver growth.

In the alternatives sector, bottom feeders circled the pond for distressed acquisitions. Previously high-flying **Deephaven Capital Management** in January 2009 sold to the founders of **Stark Investments**, a $10 billion Wisconsin-based multi-strategy fund manager, for $7.3 million at closing and an additional $37.3 million contingent upon performance and client retention. GLG, which had been looking opportunistically for acquisitions to fuel growth and replace AUM, which had fallen over the past year, announced the acquisition of **Pendragon Capital**, whose AUM had suffered a 40% decline in 2008 as a result of investment performance and investor redemptions. In a case of leverage-gone-bad, in March, **Midas Capital Partners** handed over a 20% stake to Lloyds, converting approximately 29% of its $52 million in debt owed to the bank into ordinary shares and warrants. Many deal conversations amongst troubled funds of hedge funds took place in the first half of the year, but in the wake of the Madoff scandal, very few buyers had the conviction to transact. The period's largest FOHF transaction – **Sal. Oppenheim's** purchase of the remaining 51% of Paris-based **Altigefi** it didn't already own from **Integrated Asset Management** – involved a business with only $800 million in AUM.

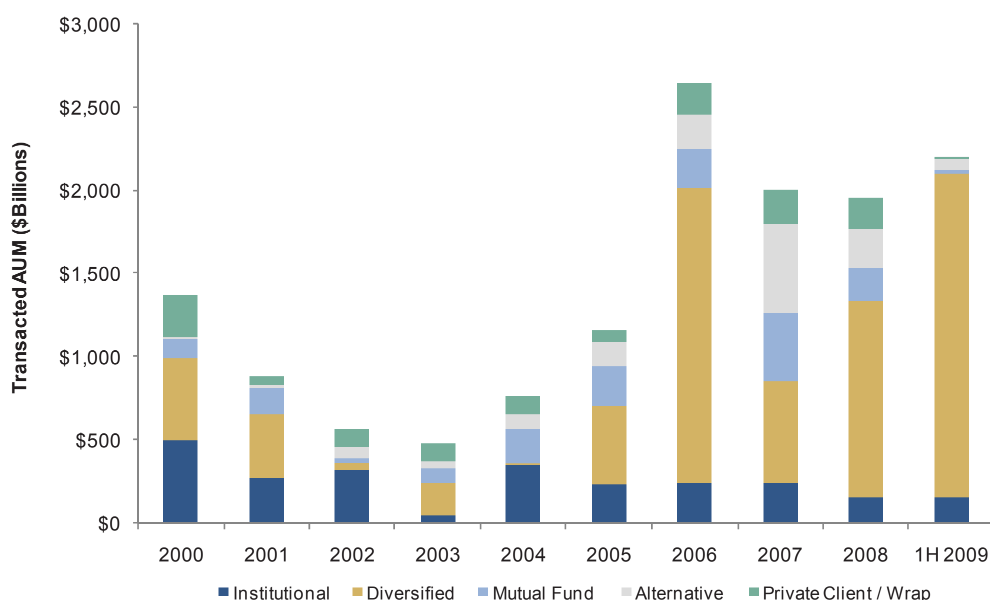
EXHIBIT 10: Largest Alternative Asset Management Deals by Transacted AUM, 1H2009

Date	Target	Ctry	Type	Acquirer	Ctry	AUM ($MM)	% Acquired
Feb-09	Apax Partners LLP	UK	Private Equity	GIC Special Investments and Future Fund	Singapore	$40,000	8%
Jun-09	Highbridge Capital Management	US	Hedge Fund	JPMorgan Chase & Co.	US	21,000	23%
Feb-09	Alternative Investment Capital Limited	JN	Private Equity	Sumitomo Mitsui Financial Group	JN	3,048	20%
Mar-09	Midas Capital Partners Limited	UK	Hedge Fund	Lloyds Banking Group plc	UK	2,717	20%
Apr-09	D.B. Zwirn & Co. L.P.	US	Hedge Fund	Fortress Investment Group LLC	US	2,500	100%
May-09	CypressTree Investment Management, LLP	US	CDO/CLO	Primus Guaranty, Ltd.	US	2,400	100%
Apr-09	HRJ Capital	US	Private Equity	Capital Dynamics	SWI	2,100	100%
Jan-09	Deephaven Capital Management	US	Hedge Fund	Stark Investments	US	1,600	100%
Apr-09	R3 Capital Management LLC	US	Hedge Fund	BlackRock, Inc.	US	1,500	100%
Mar-09	Cohen & Company (three Emporia middle market senior debt CLOs)	US	CDO/CLO	Allied Capital Corporation	US	1,200	100%

Data converted to US currency at time of announcement. Announced transactions only.
Source: Jefferies Putnam Lovell

The reality of lower management fees resulting from depressed asset levels and the absence of performance fees has hit hard, and distressed sellers will continue coming to market. Many independents waking up to the reality of owning unprofitable businesses will seek a safe new home. Stressed companies seeking to quickly boost margins will be competing for these assets alongside consolidators and even financial buyers looking for good value and a cheap option on the next bull market.

EXHIBIT 11: Transacted AUM by Target Type



Note: Includes minority transactions, recapitalizations and IPOs.
Source: Jefferies Putnam Lovell

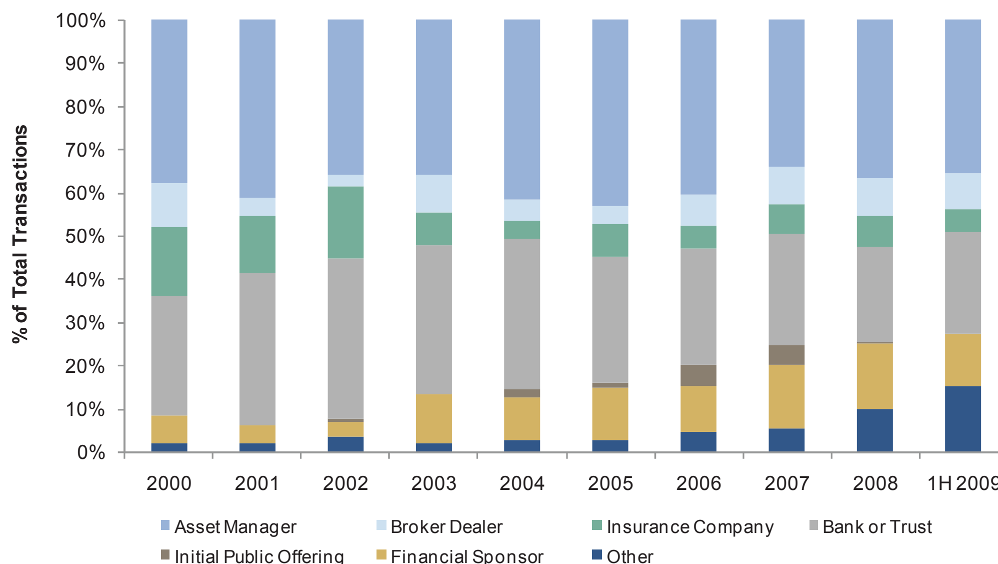
While the proportion of divestitures and distressed sales increased, there was little change in the nature of sellers by type of business. Perhaps of note, no private client businesses were represented in the list of the largest transactions. In fact, the largest private client business sold in the first half of 2009 was the Dresdner VPV divestiture by Commerzbank, with only $1.7 billion in AUM. By contrast, in 2008 this segment saw a number of large targets change hands or gain new significant minority investors, such as **AIG Private Bank** in Switzerland, **Morgan Stanley's** private bank in Spain, and **Boston Private Financial Holdings** in the US. The private client investment management segment is currently in a state of flux, with clients reviewing their commitment to their service providers, following poor performance and even fraud among the managers of the alternative investment vehicles in which they were often invested. This instability has hit pricing which may embolden management teams and private equity firms to buy out some businesses. Boston Private's **Sand Hill Advisors** and **Boston Private Value Investors** were both bought out this year. Even though each of the two businesses had less than $1 billion in AUM, they may be underscoring an emerging trend.

More activity was seen in the ETF space, a high-growth sector of the industry with few potential targets. In addition to the disposal by Barclays of **iShares** along with the rest of BGI, **AXA** sold its 50% stake in **EasyETF** to BNP, its partner in the venture. As for institutional boutiques, there was a similar dearth of sales in 2008 involving managers of size. However, quite a few transactions involving smaller ones were announced, which may be a signal of markets defrosting.

Buyers: Bargain Hunters

Asset management companies have been the most active acquirers of other asset management businesses. Many of the publicly listed pure plays are known to be looking for consolidation targets and considering new market expansion via acquisition. Asset managers accounted for nearly 36% of all deals in the first half. While the industry is by no means out of the woods yet, many asset managers have addressed the most critical issues facing their firms and have begun to focus outwardly, seeking to take advantage of rare acquisition opportunities to add scale, fill product gaps, add talent and expand product offerings at attractive prices.

EXHIBIT 12: Percentage Share of Number of Transactions by Acquirer



Notes: Includes minority transactions, recapitalizations and IPOs. "Other" includes MBOs (no sponsor), sovereign wealth funds, individuals, multi-industry conglomerates and other unclassified buyers.
Source: Jefferies Putnam Lovell

Still, there were only six control acquisitions by money management firms in the first half of 2009 of targets with more than $1 billion in AUM, excluding the alternative segment, versus 26 such transactions in 2008. Additionally, there were four control transactions in the alternatives space in the first half of 2009, versus 12 in 2008. These statistics reflect the ongoing degree of caution exhibited by buyers and the meaningful pricing gaps that still exist. A bargain hunting mentality is still pervasive even as buyer enthusiasm for deals has increased since the beginning of the year. However, sellers are now getting more emboldened by the resurgence in the markets and public market valuations, which may portend an uptick in activity levels.

In the traditional segment, other than BlackRock's acquisition of BGI – the largest acquisition by a money manager ever – Henderson put its best foot forward to acquire New Star, with $14 billion in AUM. The firm announced it had been able to retain about 77% of the client assets it acquired, a good result given the difficult environment and the fact that New Star had been suffering significant client losses prior to the sale. Also of note, Julius Baer repurchased **Augustus Asset Managers**, with $7.6 billion in AUM, after the latter's MBO in early 2007.

In summary, of the three largest acquisitions by money managers in the traditional segment noted above, the top two were primarily opportunities driven by the stress or distress of the seller. They underscore the trend of buyers seeking transformational acquisitions in an opportunistic manner, rather than overpaying for them with a high multiple. The third case was an instance of the Augustus team completing a roundtrip by returning to its original parent company.

BlackRock's recent aggressive acquisition-fueled growth will no doubt drive others to big-bang deals, to improve their rankings and market positioning in a new era where $2 trillion in AUM is the new $1 trillion. With an interesting group of potential sellers in Europe among diversified financial institutions, American pure plays are expected to look at cross-border deals. They will also consider consolidating transactions on home turf, although several deals that had already been expected to announce in the US are taking longer than anticipated and may yet fall apart.

Besides other asset managers, management teams have been active in buying out asset management businesses. The management teams of **Todd Investment Advisors** and **Covington Capital** each executed MBOs, which totaled nine in the first half 2009, versus a total of 12 in all of 2008. The trend continued in early July when senior executives of value equity manager **Iridian Asset Management** acquired the firm from parent **Bank of Ireland Asset Management**.

Buying activity among private equity firms was mixed. Financial buyers have been active participants in transaction processes and one of the top four deals in 2009 was in fact executed by a sponsor. Conning's buyout from Swiss Re was completed by Aquiline Capital Partners, a private equity firm headed by former Marsh & McLennan CEO Jeffrey Greenberg. This was arguably the highest-profile acquisition of a money manager by a private equity firm in 2009 and certainly the largest in terms of AUM. With $100 billion in transacted AUM it surpassed the top sponsor ticket of 2008, **TPG Capital** and **Pharos Capital's** purchase of **American Beacon Advisors**, with $65 billion in client assets.

Overall market conditions have not been favorable for private equity players, and consequently sponsor-led deals decreased from prior periods. A host of factors, including i) uncertainty regarding industry fundamentals, ii) the mixed quality of larger managers for sale, iii) the limited number of strong independents willing to transact, iv) the distressed nature of many smaller managers, v) the absence of leverage and vi) uncertain exit paths – all conditions which favored consolidators – dampened private equity enthusiasm.

Among financial sponsors other than Aquiline, only **Northern Lights Ventures** and **Asset Management Finance** made substantial investments in the asset management sector in the first half of 2009. Northern Lights made minority investments in three businesses with total AUM of approximately $2 billion – **Goodhart Partners** in the UK, as well as **Raven Capital** and **Seizert Capital** in the US. Asset Management Finance purchased a revenue share interest in Australian institutional equities manager **MIR Investment Management**, with over $3 billion in AUM.

EXHIBIT 13: Largest Financial Sponsor, Sovereign Wealth Fund and Management-Led Investments in Asset Managers by Transacted AUM, 1H2009

Date	Target	Ctry	Type	Acquirer	Ctry	AUM ($MM)	% Acquired
Jun-09	Conning & Company	US	Inst	Aquiline Capital Partners LLC	US	$100,000	100%
Feb-09	Apax Partners LLP	UK	Alt	GIC Special Investments and Future Fund	Singapore	40,000	8%
Mar-09	Todd Investment Advisors, Inc.	US	Inst	MBO	US	3,515	20%
May-09	MIR Investment Management	Australia	Inst	Asset Management Finance	US	3,059	na[1]
Jun-09	Tortoise Capital Advisors LLC	US	MuFu	MBO (Mariner Holdings LLC)	US	2,000	35%
Jun-09	Dresdner VPV NV	NL	PvtCl	MBO	NL	1,700	100%
Jan-09	Seizert Capital Partners LLC	US	Inst	Northern Lights Ventures LLC	US	1,200	Minority

[1]Asset Management Finance purchased a revenue share interest in MIR Investment Management.
Data converted to US currency at time of announcement. Announced transactions only.
Source: Jefferies Putnam Lovell

Many of the usual suspects among private equity investors have not made any new investments in 2009, including Goldman Sachs Petershill Fund, **TA Associates** and **Hellman & Friedman**. Some have continued to be very active in looking for new platform acquisitions, others have sought targets to give greater scale to their existing affiliates, while a few divested. **Lovell Minnick Partners**, a historically active acquirer, featured as a seller in 2009 with the disposal of **Delta Asset Management** to **Marshall & Ilsley**.

Marshall & Ilsley's purchase of Delta is in fact a continuation of a strategy begun with the purchase of **Northstar Financial** in January 2007, then continued with the majority acquisition of **Taplin, Canida & Habacht** in October 2008. Marshall & Ilsley is among a limited group of banks that have continued to buy asset management businesses; most others have left the buyer universe and joined the crowd of sellers. Other than Marshall & Ilsley there were 15 other acquisitions by banking companies in 1H09, versus 48 such acquisitions in all of 2008, which was already a down year for banks acquiring asset management businesses. In addition to Crédit Agricole's deal with Société Générale, among deals of note done by US and European banks were: **City National's** acquisition of **Lee Munder Capital Group**, which was combined with the bank's majority-owned **Independence Investments** affiliate to gain scale in the institutional arena; BNP's acquisition of the stake in EasyETF it didn't already own from AXA; and BNP's minority investment in Northern Lights Ventures. In addition, **Nordea Bank** announced a strategic partnership with **Vegagest**, an Italian asset manager owned by nine different regional banks and financial services companies, significantly boosting Nordea's access to the Italian market.

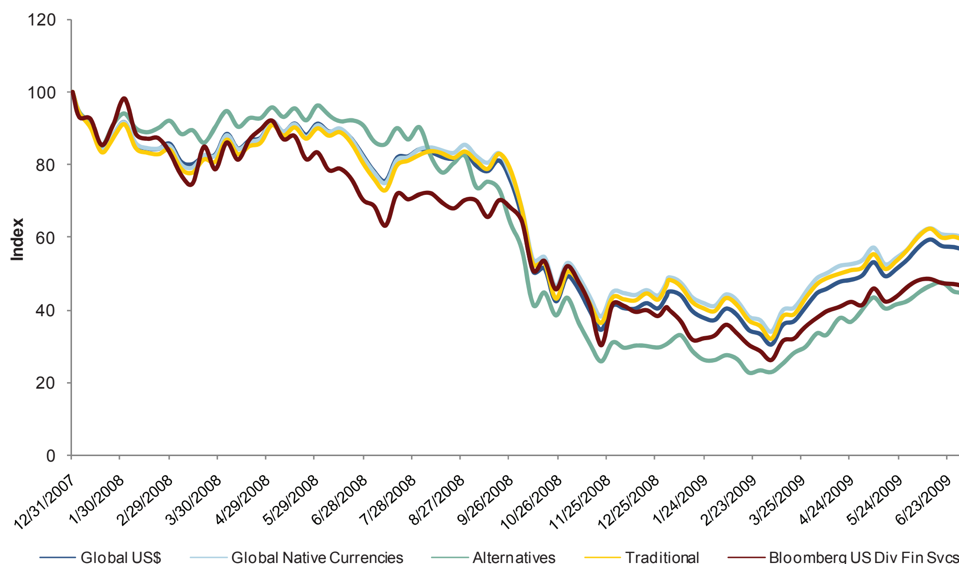
Activity among insurers also declined – from 16 transactions in all of 2008 and 17 in all of 2007 to only four in the first half of 2009. In July, Italy's **Assicurazioni Generali's** spent $140 million on a minority investment in China's **Guotai Asset Management** to gain access to China's growing pensions market, highlighting the continued interest of Europeans and Americans in China. Other than this deal, no other European-based insurer made any acquisitions of money managers in 2009, compared to six such deals in all of 2008. Among non-European insurers, Bermuda-based **Primus Guaranty** swept up $2.4 billion CLO manager **CypressTree Investment Management** and combined it with a sizable internal structured credit team. In the US, asset management units of **New York Life** and **John Hancock** made small acquisitions in municipal bond strategies and value equities, respectively.

Due to the generally depressed financial results of targets and uncertainty around their growth prospects, buyers had to continue to structure transactions carefully. Certain acquisitions of smaller distressed targets involved little or no upfront cash, as some buyers approached deals more as business development exercises than franchise expansions. Alternatively, they involved significant earnouts based on revenue or profit growth. Large acquisitions such as CAAM with SGAM were pure business contributions, and where that was impossible, as in the case of BGI and BlackRock, vendor financing was an important factor in getting the transaction done.

Pricing: To Hell and Back

For the capital markets, the first half of 2009 was a period of extremes, which began with a shaky hope for a better year after a tumultuous 2008, only to crash midway through before ending with a bang. Stock prices of global publicly-traded asset managers, which had fallen approximately 50% in 2008, mildly underperformed the broader markets during the downward spiral to the lows in mid-March but substantially outperformed during the subsequent market rally. The asset manager universe fell 31% from the beginning of the year to the market lows, and the S&P 500 declined 27% over the same period, as investors continued to abandon equities for cash across sectors. During the ensuing rally when the S&P 500 increased 36% through June 30, the universe of global asset managers increased over 90%, reflecting the likely oversold state of the sector pre-rally and a budding confidence that improving markets will benefit asset managers globally. As markets rebound, asset managers stand poised to realize even greater operating leverage, which had worked against them during the market downturn, as a result of the meaningful cost reductions implemented across the industry since late 2008.

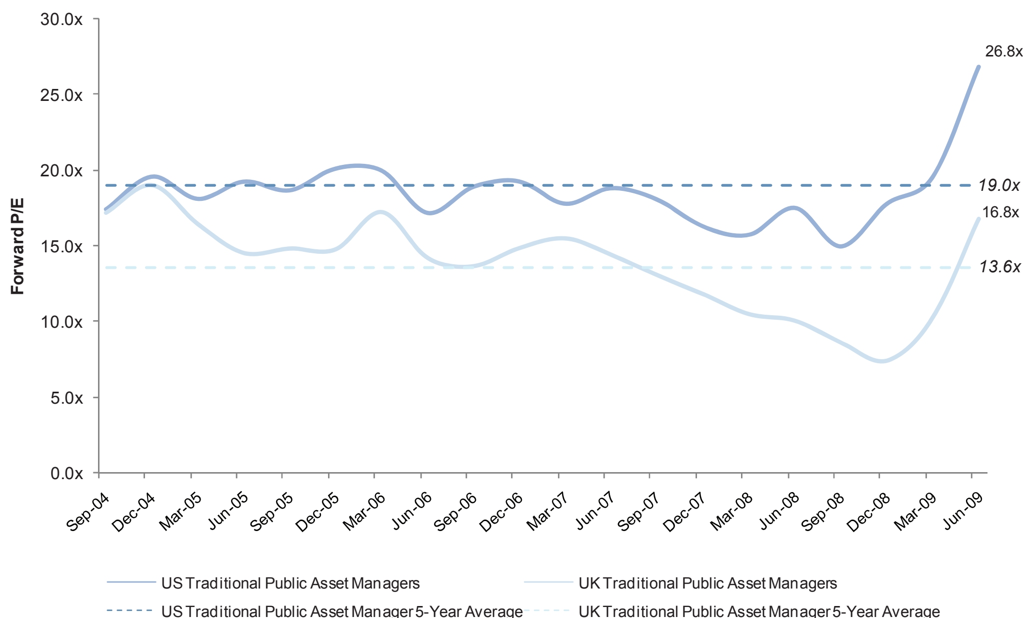
EXHIBIT 14: Jefferies Putnam Lovell Global Asset Management Index Performance



Note: 100 = year-end 2007. Index is weighted by fully diluted market capitalization.
Source: Bloomberg, Jefferies Putnam Lovell

After reaching historical lows at the end of 2008, 2009 forward earnings multiples for asset managers rebounded to varying degrees, driven by the strong market rally. Multiples for US traditional asset managers reached well above their 5-year average, indicating that US market capitalizations have advanced well ahead of earnings forecasts. 2009 forward earnings multiples for UK traditional managers continue to lag their US peers but exceeded their 5-year average as well.

EXHIBIT 15: 2009 Forward Price to Earnings Ratios for US and UK Traditional Managers



Note: Excludes outliers above 50x and below 1x.
Source: Capital IQ

Jefferies

US traditional asset managers traded at a meager 11.0 times 2009 forward earnings at year-end 2008. Multiples expanded more than two-fold by June 30 to 26.8 times as a result of the sector rally and the continuing dim forecasts of earnings by many analysts. UK traditional managers experienced a slightly less dramatic increase from 8.8 times 2009 forward earnings at year-end 2008 to 16.8 times at June 30. 2010 forward earnings multiples show a more moderate picture of earnings expectations for both US and UK traditional managers, at 19.5 times and 15.5 times, respectively. The multiple expansion from year-end 2008 levels looks even more extreme for the private equity-heavy alternative managers in the US, which traded at a steep 27.5 times 2009 forward earnings at June 30, up dramatically from just under 6.0 times at year-end 2008. The strong rebound in the market caps for alternative managers indicates a more optimistic view among investors of asset growth and the return of performance fees and carry, as most alternative managers endeavor to climb back above their high water marks and return hurdles.

EXHIBIT 16: Median Trading Multiples of Quoted Fund Managers, Year End 2008 Versus 1H09

	2009 Forward P/E		2010 Forward P/E	EV / LTM EBITDA		EV / RR EBITDA	
	YE 2008	H1 2009	H1 2009	YE 2008	H1 2009	YE 2008	H1 2009
US Traditional Public Asset Managers	11.0x	26.8x	19.5x	4.8x	9.5x	4.9x	13.4x
US Alternative Public Asset Managers	5.9x	27.5x	11.2x	5.3x	10.1x	5.7x	11.1x
UK Traditional Public Asset Managers	8.8x	16.8x	15.5x	5.5x	6.8x	n/a	n/a
UK Alternative Public Asset Managers	9.1x	12.3x	13.8x	3.7x	4.2x	n/a	n/a

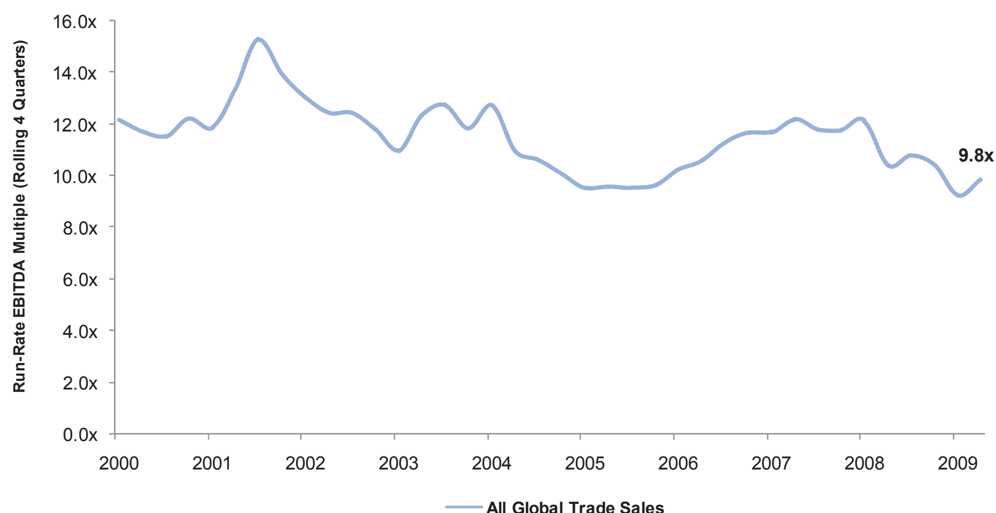
Notes: Multiples are based on 12/31/08 and 6/30/09 share prices and forward estimates for 2009.

Run-Rate multiples reflect most recent quarter EBITDA annualized. EBITDA multiples for Alternative Asset Managers derived using "Economic Net Income", where applicable.

Source: Company filings, Bloomberg

In typical fashion, private multiples in the asset management sector mirrored the steep decline of the publicly-traded companies through the first three months of 2009. Average private transaction pricing in the first half of the year reflects the polar nature of transaction activity during the period – characterized by large, trophy targets and contribution transactions which attracted strong bids and small or distressed targets which traded at heavily discounted multiples. The relatively high multiples implied in the marquis transactions, which propped up average transaction pricing, are lower in actuality, as even the most strategic transactions in the current environment will involve a significant level of cost savings post-transaction, which will ultimately improve earnings of the acquired business and drive down the true multiple paid.

EXHIBIT 17: Run-Rate EBITDA Multiples of Global Asset Management Trade Sales



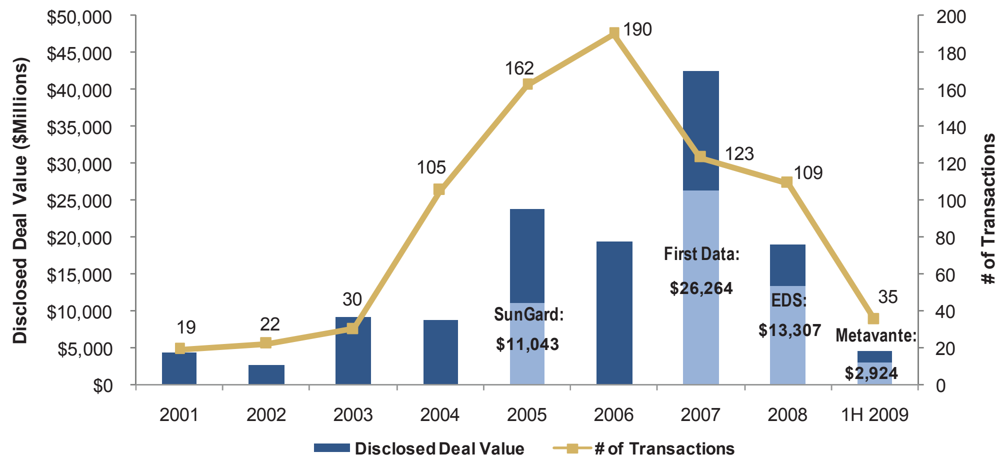
Note: Multiples reflect four-quarter rolling medians and include all trade sales worldwide.
Source: Jefferies Putnam Lovell

While the future remains unclear, positive indicators are beginning to surface in the asset management sector, as public multiples reverse their downward trend from the latter half of 2008 and private transaction activity revives. Business fundamentals and the state of the broader economy remain the obvious key factors in determining how the asset management sector will fare in the coming months. As unemployment continues to rise and the need for further government stimulus seems apparent, a normalized operating environment for asset managers may be well off into 2010. However, their high betas and significant operating leverage position asset managers well as the global markets gain sustainable, secure footing.

Financial Technology: Transaction Activity

M&A activity in the financial technology space declined approximately 45% in the first half of 2009 as compared to the same period last year, mirroring the drop-off in overall global M&A volume. The total number of transactions announced in the industry was 55 versus 105 in the first half of 2008. Total disclosed deal values plunged nearly 80%, from $23 billion to just $5 billion in the first six months of the year, as constrained budgets and overall market turmoil led to smaller average deal sizes. When compared to 2H08, however, deal values actually increased, driven by **Fidelity National Information Services's** acquisition of **Metavante Technologies**, this year's largest financial technology transaction.

EXHIBIT 18: Acquisitions of US Financial Technology Firms, 1H2009



Note: Chart reflects only banking technology, investments technology, outsourcing, and payment processing transactions.
Source: SNL Financial, Jefferies Putnam Lovell

Trading multiples of quoted financial technology firms hard hit last year have recovered to near historical highs, owing to the second quarter market rebound. The Jefferies Putnam Lovell FinTech Universe Index returned 9% in the first six months 2009, versus approximately 2% and 16% for the S&P 500 and Nasdaq indices, respectively. Among the top stock price gainers were buy-side software and technology firms and outsourcing vendors. Although markets have shown an uptick in recent months, they have still not warmed up sufficiently to support meaningful IPO activity; the only new listing of note in the financial technology sector was by **VisaNet, Visa's** Brazilian credit card affiliate, which launched a $4.3 billion initial public offering at the end of June.

Generally consistent with the prior six months, deal activity in the first half of 2009 was driven primarily by pending regulatory reforms, financial institutions' need to raise capital, and the ongoing consolidation of players seeking scale advantages. Heightened awareness of regulatory issues have spurred a flurry of deal activity among buy-side technology and software vendors looking to enhance governance, risk management and compliance offerings in anticipation of renewed demand from financial services firms for these solutions. Approximately 15% of total transaction volume posted in the first six months of 2009 was attributable to acquisitions of risk and compliance management firms, versus just 3% in 2008. **Quantal International**, a risk analytics solutions firm, acquired **Bullrun Financial**, a provider of performance measurement and attribution analytics. The acquisition allows Quantal to significantly expand its suite of risk management and financial reporting solutions to the global marketplace. Other firms bolstered their service offerings such as **SunGard** via its acquisition of the **ICE Risk** commodity trading solution from **IntercontinentalExchange** and **Broadridge Financial** via its acquisition of enterprise reporting and data management services firm **Access Data**.

Increased scrutiny of risk and compliance operations, along with reduced IT budgets, is fueling a surge in outsourcing activity by financial services firms. Third party suppliers that can provide holistic solutions to such firms looking to reduce costs, improve functionality and replace old, in-house technology will benefit from the rising trend.

EXHIBIT 19: Select Data, Risk and Compliance Management Transactions, 1H2009

Date	Target	Acquirer	% Acquired
Jun-09	Unisys (MAXIMIS Software)	SS&C Technologies	100%
May-09	Access Data	Broadridge Financial Solutions	100%
May-09	ICE Risk Platform	SunGard Data Systems	100%
Apr-09	C8Software	Cadis	100%
Apr-09	Hologram	First Derivatives	100%
Feb-09	Compassoft	Finsbury Solutions	100%
Jan-09	Elders Risk Management	FCStone Group	100%
Jan-09	Bullrun Financial	Quantal International	100%

Source: Jefferies Putnam Lovell

For hedge funds, given that flows into the sector are coming from increasingly sophisticated investors and via consultants demanding “institutional quality” funds, the use of third party administrators has become mandatory for survival. Not only are fund managers receiving pressure from both investors and regulators to provide greater transparency and improve risk controls, but often the increasing complexity of securities and strategies has led these firms to seek out administrators that can provide more effective solutions than in-house teams. Market research firm TowerGroup expects hedge fund administration adoption rates in the United States to reach 100% by 2012 as investors demand independent valuation and oversight of assets and operations. Hedge fund administrators are now rapidly expanding their breadth of service offerings, organically and via acquisitions and partnerships, to provide full front-to-back office administrative solutions in an effort to gain market share and to combat further price erosion. Competition has toughened; the industry is likely to experience further consolidation given that achieving scale and having a diverse scope of offerings are joint tenets for success.

UMB Financial’s fund services division purchased **J.D. Clark & Company**, an $18.5 billion alternative investment fund administrator in May. UMB paid $23 million in cash upfront, plus contingent annual earnout payments over a four year period to the selling shareholders. J.D Clark, a sizable, independent player featuring strong proprietary technology and an experienced management team, will significantly enhance UMB’s existing $4 billion alternatives administration platform. In March, private equity investor **Aquiline Capital Partners** backed a start-up hedge fund administrator, **HedgeServ**, demonstrating confidence in the sectors’ growth trajectory. Led by the former founders of **International Fund Services** and **DPM**, HedgeServ leverages a powerful new technology platform that provides investors a full-service, integrated, front-to-back system, from trading and managing risk through providing information to investors and regulators.

EXHIBIT 20: Select Custody and Fund Administration Transactions, 1H2009

Date	Target	Acquirer	% Acquired
Jun-09	Capmark Services Europe	The Capita Group plc	100%
May-09	FondServiceBank	Xchanging	100%
May-09	J.D. Clark & Company	UMB Financial Corporation	100%
Apr-09	iX Partners (iXP)	Headstrong	100%
Mar-09	Evare	SS&C Technologies	100%
Mar-09	HedgeServ	Aquiline Capital Partners	N/A
Mar-09	Matrix Financial Solutions	Bluff Point Associates	minority
Feb-09	Tennyson Financial Services	Investment Data Services Group	100%

Source: Jefferies Putnam Lovell

Large financial services firms such as global banks and custodians have primarily driven the outsourcing industry's ongoing consolidation. Over the past six months, however, divestitures of administration and financial processing units have become more commonplace as financial institutions seek to sell non-core assets to raise capital. In May, global business processing firm **Xchanging** acquired **FondServiceBank**, a fund administration unit of **DAB Bank AG**, the broker dealer subsidiary of German banking group **HVB**. The strategic rationale driving the transaction for Xchanging was the opportunity to expand its client base in Germany and benefit from scale advantages whereas DAB Bank was able to shed a non-core, loss-making asset and raise capital while improving profitability.

The challenge facing financial institutions needing to bolster their balance sheets is being able to creatively structure divestitures in such a manner so as to raise capital without jeopardizing competitive advantage and meaningful sources of potential revenue growth. Thus, in the case of most bank divestitures, sellers have retained meaningful stakes in the businesses sold or established distribution alliances as part of the sale agreement to maintain linkages to the divested businesses and access to product offerings.

For example, **Fifth Third Bank** sold 51% of its processing business, **Fifth Third Processing Solutions** to private equity investor, **Advent International,** raising approximately $560 million in capital. For the bank, the transaction was purely capital driven – having been hit particularly hard by losses from real estate loans, it needed to find a creative solution to shore up a stressed balance sheet. Through a partnership with Advent, an experienced investor in the financial processing space, Fifth Third executed a transaction that significantly improved Tier 1 capital ratios and allowed the bank to retain access to the business unit's stable revenue stream. The deal represents one of Advent's most significant investments to date and is among the largest private equity transactions inked since September 2008. In June, **HSBC** sold its 49% stake in **HSBC Merchant Services**, a card processing joint venture with **Global Payments** to its JV partner for $307.7 million in cash. A ten year marketing alliance agreement has been signed as part of the transaction, through which HSBC will continue to refer its UK customers to HMS/Global Payments.

The desire for scale and scope of offerings continues to drive consolidation among outsourcing providers. Following in the footsteps of **Fiserv**, which acquired payment processing giant **Checkfree** last year, Fidelity National Information Services announced its intention to acquire banking and payments firm Metavante Technologies**,** creating a new industry behemoth. The transaction, structured as an all stock purchase, was by far the largest deal in the financial technology sector this year. The tough market has also created opportunities for industry leaders to acquire struggling rivals. Privately-held human resources outsourcing provider **Trinet Group** acquired **Gevity HR,** a publicly traded company whose stock price had been particularly hard hit by the economic downturn. The two firms, based on opposite coasts and serving complimentary client bases, combined on the basis of creating scale and expanding service offerings. Further consolidation is expected among providers of outsourced services as smaller competitors struggle to compete with enlarged industry leaders.

Securities Exchanges and Brokerage Firms: Transaction Activity

M&A activity in the securities brokerage and exchange industry for the first half of 2009 paled in comparison with the fourth quarter of 2008. This year has seen very few blockbuster deals, relative to the unprecedented wave of consolidation fueled by distressed sales just six months earlier. Industry leaders have largely been focusing on integration and other internal issues – with some faring better than others. Capital raising activities and repaying TARP funds are among the items pre-occupying banks and brokerage firms, contributing to a slowdown in overall M&A volumes. Consolidation in the industry will continue; mid-sized broker dealer divestitures by large financial institutions are currently in process, though the bulk of activity is likely to cluster on the smaller end of the scale and will be motivated by familiar themes: seller's need for capital, buyer's desire to build market share and the influence of pending regulatory reforms.

EXHIBIT 21: Performance Metrics for the Jefferies Putnam Lovell Securities and Financial Technology Indices and Sub Indices, 1H2009

Subindex	2007	2008	Jun-09
Straight-through processing, messaging and middleware	40%	(2%)	40%
Outsourcing vendors	15%	(37%)	26%
Order execution services	0%	(51%)	23%
Buy-side software and technology	40%	(48%)	20%
North American banking software	37%	(41%)	16%
Electronic funds transfer / ETS	11%	(46%)	12%
EU banking software	4%	(62%)	8%
Market data and financial information	(2%)	(35%)	3%
Payroll, HR and benefits	19%	(26%)	(3%)
Major diversified services vendors	(1%)	(14%)	(11%)
Channel banking and CRM	51%	(25%)	(24%)
JPL FinTech Universe Index	**11%**	**(34%)**	**9%**
Interdealer brokers	51%	(76%)	67%
Institutional securities brokerages	(5%)	(51%)	17%
Organized exchanges	85%	(63%)	17%
Retail securities brokerages	15%	(40%)	(6%)
Custodian banks	18%	(40%)	(16%)
JPL Brokerage, Exchange and Securities Services Index	**23%**	**(50%)**	**8%**

Notes: Both indices were reconstituted in 2007 and the data is presented pro-forma. The components of the indices are listed in the monthly Jefferies Putnam Lovell FinTech Universe.

Source: Bloomberg, Capital IQ, Jefferies Putnam Lovell

Compared with the volume of deal activity in 2008 among the world's exchanges, M&A activity in the sector has remained subdued in the first half of 2009. Transaction activity was limited to the acquisitions by **Warsaw Stock Exchange** and **TMX Group** of electronic trading platforms **MTS-Ceto SA** and **NetThruPut**, respectively. Additionally, **NYSE Euronext** completed its 20% investment in the **Qatar Exchange** (formerly **Doha Securities Market**). In March, the **Tokyo Stock Exchange** announced it was delaying its plans to go public until 2010 amid falling profits and overall challenging market conditions.

Similarly, after a period of massive consolidation in the fourth quarter of 2008, transaction activity between investment banks slowed. Deals of note include hedge fund **Ramius Capital's** reverse merger into quoted boutique investment bank **Cowen Group**. The combined firm will be branded Cowen Group though it will be majority-owned by Ramius and

led by Peter Cohen, Ramius' founder. The transaction allows the hedge fund to become public in a market unreceptive to new alternative asset management listings and provides the firm with an investment banking platform on which it can offer new services including fixed income sales, trading and origination, as well as real estate banking. Other notable investment banking transactions include **Broadpoint Securities Group's** acquisition of M&A advisory firm **Gleacher Partners** for approximately $75 million and **Raymond James** purchase of **Lane Berry & Co. International**, a middle-market investment bank. Both deals were undertaken to add complimentary business lines and broaden industry-specific banking expertise.

EXHIBIT 22: Select Investment Bank Transactions, 1H2009

Date	Target	Acquirer	% Acquired
Jun-09	Cowen Group, Inc.	Ramius LLC	100%
May-09	Lane Berry & Co. International	Raymond James Financial	100%
Mar-09	Gleacher Partners	Broadpoint Securities Group	100%
Feb-09	Cohen & Company	Alesco Financial	100%
Feb-09	OTKRITIE Financial Corporation	VTB Bank	20%
Jan-09	Pacific Growth Equities	Wedbush Morgan Securities	100%

Source: Jefferies Putnam Lovell

A "back to the basics" mentality has pervaded the financial services industry, especially inside the banking giants. Two of the largest transactions in the space were divestitures by capital starved **Citigroup**, whose five straight quarterly losses have forced the company to sell units it deems non-core to raise capital after receiving three bailouts by the U.S. government. In early January 2009, Citigroup agreed to split off **Smith Barney**, its valuable retail brokerage arm, in order to offset the Company's massive fourth quarter losses. Smith Barney and **Morgan Stanley** announced that they would combine their brokerage operations in a new joint venture – the deal brought Citigroup $2.7 billion in cash and a 49% stake in a newly formed entity with enhanced prospects for earnings growth. Similarly, Citigroup agreed to sell its Japanese domestic securities business, conducted principally through **Nikko Cordial Securities**, to **Sumitomo Mitsui Financial Group** for 775 billion yen ($7.9 billion). On a smaller scale, Commerzbank divested the securities lending business it inherited via its acquisition of Dresdner Bank from Allianz.

The primary beneficiaries of the market turmoil and subsequent rebound have been trading and execution related firms. Interdealer brokers, organized exchanges and straight through processing firms have continued to benefit from soaring trading volumes driven largely by share price volatility and lack of other, liquid opportunities for investors to earn profits. Stock prices of **ICAP** and **IntercontinentalExchange** were up 60% and 40% respectively for the first half of the year fueled by record trading volumes and revenues at both firms. Following significant declines in 2008, the Jefferies Putnam Lovell Brokerage, Exchange and Securities Services Index returned 6% in the first half of 2009. Unfortunately, however, this is likely a temporary phenomenon, and as the cyclical spike in trading volumes dampens, further consolidation is expected – those with diverse, scalable operations are best positioned to face the volatile market conditions.

EXHIBIT 23: Mean Multiples for the Jefferies Putnam Lovell Securities and Financial Technology Indices and Sub Indices, 1H2009

Subindex	2007	2008	Jun-09
Order execution services	14.5x	7.2x	17.4x
North American banking software	18.2x	10.0x	16.2x
Major diversified services vendors	13.1x	7.4x	10.1x
Market data and financial information	12.0x	7.8x	9.5x
Electronic funds transfer / ETS	10.8x	6.9x	9.2x
Europe and rest of world banking software	29.0x	6.9x	8.6x
Buy-side software and technology	10.5x	6.2x	8.0x
Straight-through processing, messaging and middleware	10.6x	6.4x	7.3x
Channel banking and CRM	14.4x	8.3x	6.9x
Payroll, HR and benefits	9.1x	6.5x	6.7x
Outsourcing vendors	11.4x	5.7x	6.2x
JPL FinTech Universe Index[1]	**14.7x**	**7.8x**	**9.1x**
Interdealer brokers	19.2x	5.9x	10.5x
Institutional securities brokerages	12.4x	12.4x	15.3x
Organized exchanges	26.8x	11.7x	15.6x
Retail securities brokerages	16.8x	10.9x	13.5x
Custodian banks	15.2x	10.5x	11.8x
JPL Brokerage, Exchange and Securities Services Index[2]	**18.0x**	**11.0x**	**14.1x**

[1] Reflects Enterprise Value / LTM EBITDA multiples.

[2] Reflects two year forward Price / Earnings multiples.

Both indices were reconstituted in 2007 and the data is presented pro-forma. The components of the indices are listed in the monthly Jefferies Putnam Lovell FinTech Universe.

Source: Bloomberg, Capital IQ, Jefferies Putnam Lovell

TD Ameritrade is preparing for the next cycle, as evidenced by the three investments it has made in online brokers in the first half of 2009 – **thinkorswim**, **Internaxx**, and the execution only business of **Hoodless Brennan**. TD increased its 25% stake in Internaxx, a Belgium based international online brokerage service to 75%, and acquired Hoodless Brennan's online share-dealing business, both important steps in strengthening the firm's service proposition and market share in Europe. While scale has become more critical due to unpredictable trading volumes, equally important is the ability to provide a range of non-equities trading capabilities to take advantage of the increased demand for these asset classes from active traders. The thinkorswim deal brought TD Ameritrade an industry leading position in retail options trading. Options trading is among the fastest-growing and most profitable segments of the online brokerage industry given the markets' volatility, frequency of trades and attention it receives from active traders.

To capitalize on the growth in these niche asset classes, several trading firms have expanded their non-equities offerings. Exchange operator TMX Group acquired commodities trading platform NetThruPut, **All Options** acquired **Saen Options** and forex dealer **Forex Capital Markets** purchased certain assets of the US retail forex business of **Hotspot Fxr**, Knight Capital Group's retail foreign exchange subsidiary. The transactions also highlight the keen awareness of the importance of investing in trading technologies, as all three platforms are known for their optimal trading operations and wide-ranging connectivity. Given the scale advantage in the online trading model, further consolidation is likely – players in the industry will continue to seek bolt-on acquisitions that improve their ability to trade multiple asset classes.

EXHIBIT 24: Select Online Brokerage and Trading Platform Transactions, 1H2009			
Date	**Target**	**Acquirer**	**% Acquired**
Jun-09	Yieldbroker	Toronto-Dominion Bank	na
Jun-09	Hoodless Brennan (Online Share Dealing)	TD Waterhouse	100%
May-09	NetThruPut	TMX Group	100%
Feb-09	Star Asset Online Commodity Futures	Dot Commodity, Inc.	100%
Feb-09	Internaxx Bank S.A.	TD Waterhouse Investor Services UK Ltd.	50%
Jan-09	Knight Capital's Hotspot FXr (Retail FX Business)	Forex Capital Markets LLC (FXCM)	100%
Jan-09	Saen Options	All Options	100%
Jan-09	Thinkorswim, Inc.	TD Ameritrade	100%

Source: Jefferies Putnam Lovell

Following the collapse of Lehman Brothers and the bailout of AIG, regulators worldwide are seeking to place controls on the OTC derivatives markets. These reforms, aimed at improving transparency and minimizing the levels of systemic risk heightened by the consolidation among brokerage firms last year, will put pressure on banks and interdealer brokers to enhance or invest in electronic broking, clearing and post-trade processing capabilities, or face margin compression. The transformations currently underway in the $28 trillion CDS market involve a shift towards mandatory central counterparty clearing and moving the OTC sub-sector derivatives onto transparent electronic trade execution systems (i.e. exchange floors). The listing of these derivatives will expand the customer base able to access these instruments electronically and ultimately build trading volume. Exchanges as well as banks and interdealer brokers invested in electronic trading systems and post-trade technologies are best positioned to benefit from the increased derivatives trading volumes.

Uncertainty remains around the degree to which the OTC market will be regulated but firms are preparing themselves nonetheless. **Bank of New York Mellon** recently made a strategic minority investment in **International Derivatives Clearing Group**, a majority owned, independently operated **NASDAQ OMX** subsidiary that serves as a designated clearing organization for clearing and settling interest rate swap contracts and other fixed income derivatives contracts. The transaction provides BNYM with a derivatives clearing capability and adds what is predicted to be a rapidly growing revenue stream to its top line. Likewise, a consortium of brokers and banks led by interdealer broker ICAP has submitted a bid to acquire Europe’s largest central clearing house, **LCH Clearnet**, which serves major international exchanges and platforms, as well as a range of OTC markets. These regulatory reforms will likely influence M&A activity and corporate strategy initiatives as banks, interdealer brokers and exchanges seek solutions that meet the end-to-end OTC derivatives execution, clearing and processing needs of their clients.

Conclusion

The first half of 2009 may have been the most challenging on record for the asset management industry. Managers endured dizzying swings in stock prices, agonizing client redemptions and painful cost-cutting exercises. Numerous firms, including several high profile hedge funds, were forced to close their doors. The survivors show the scars of battle in the form of thinned client lists and skinnier margins, but steadier markets in recent months have helped many begin the healing process. To be sure, there are still significant challenges facing the asset management industry, but there is a growing sense that the sector, along with the global economy, is on a path to recovery. Assuming markets don't retreat towards March lows, we expect the following trends to unfold during the next 12 months:

- Overall deal volumes will pick up, if only modestly, as confidence grows that the worst of the economic crisis has passed. Divestitures will continue to drive deal activity, several of which are currently underway, and will account for the lion's share of AUM transacted. Seller motivations of the past nine months – capital needs and survival – will slowly be supplanted by more traditional strategic rationale: product diversification, distribution and capital to reignite growth, and in some cases liquidity for retiring owners.
- A lot of money will be up for grabs as investors, institutional and retail alike, come out of the bunker and go through the reallocation process in earnest. That will present a threat to those whose performance struggled through the credit crisis and an opportunity to those which proved themselves worthy stewards of capital. Those in the former camp will pursue acquisitions as a way to address their shortcomings.
- While many financial institutions encountered significant stumbling blocks while pursuing sales of their asset management units, most will follow through with successful divestitures in the second half rather than reversing course, even though capital pressures which initially drove the sale decisions have eased. Sellers increasingly recognize that captive managers typically i) represent a small portion of overall earnings, ii) provide limited strategic value to the parent, and iii) require capital – both to retain employees and to develop third party distribution – that financial institutions either don't have or are not willing to allocate when so many other more strategic businesses have the same needs. Most sellers will retain minority stakes in the units they sell or in the buyer's business in order to retain economic upside, bridge pricing gaps and cement strategic/distribution linkages.
- Independent firms are likely to reemerge as sellers and begin testing the waters in late 2009 and more seriously in 2010. Factors driving this are owners' need to address succession and estate planning issues, and distribution, particularly in the retail space, which requires greater resources to penetrate the oligopoly that now exists. Many prospective sellers will not want to wait for the next full cycle to transact, and will instead rely on creative deal structuring to make the valuation work.
- Public asset managers, emboldened by their flush multiples and with their most pressing issues behind them, will more actively pursue inorganic growth opportunities, though only via accretive transactions. These eager buyers will help lure higher quality (and heretofore reluctant) sellers to the market, which will serve to gradually firm up average trade sale multiples.

- Alternative asset manager deals in the near term will be driven primarily by survival and positioning for the next cycle. Not until the market has a better understanding of investors' longer term intentions with respect to alternative strategies and the impact that gates have on AUM and fees going forward will there be any measurable level of strategic activity in the space. However, we expect hedge funds to further demonstrate alpha generating abilities and continue to outperform traditional benchmarks in choppy markets, driving asset flows back into the industry faster than many had predicted. Convergence deals will eventually follow.
- Resurgent asset inflows and the wide gap between public and trade sale multiples will lead managers (and their parent companies who desire liquidity) to consider the public markets again in late 2009 and early 2010.
- With a few notable exceptions, private equity buyers, though active in several transaction processes so far this year, largely chose to sit out on the most recent wave of divestiture activity given the mixed quality of targets on offer. However, sponsors recognize this is an attractive entry point in the cycle and will be eager to deploy capital as higher quality independent managers return to the M&A markets.
- Globalization remains an important catalyst for deal flow, despite the recent lull in cross-border deal activity. Asset managers' quest for global clientele and investment capabilities will resume in earnest over the next 12 months.
- Scale advantages will continue to drive consolidation activity among financial technology players, particularly in the administration and financial processing sectors. Intense scrutiny by regulators on risk and compliance management and investor demand for independent, third party oversight remain key catalysts for deal flow. Divestiture activity may slow as public markets re-open, providing banks an alternate avenue to raise capital.
- The push by regulators globally for centralized clearing of OTC derivatives will fuel transaction activity in the securities brokerages and exchange industry. Investments in clearing houses and electronic trading platforms are likely to dominate the M&A landscape as banks and brokerages attempt to combat the effects of pricing compression generated by the industry's structural reforms. Likewise, in response to more stringent reporting regulations investments in post trade processing capabilities will rise.

Appendix

EXHIBIT 25: Largest Asset Management Deals by Transacted AUM, 1H2009

Date	Target	Ctry	Type	Acquirer	Ctry	AUM ($MM)	% Acquired
Jun-09	Barclays Global Investors	US	Div	BlackRock, Inc.	US	$1,440,000	100%
Jan-09	Société Générale Asset Management	FR	Div	Crédit Agricole SA	FR	343,085	75%[1]
Jan-09	Sumitomo Mitsui Asset Management Co.	JN	Div	Sumitomo Mitsui Banking / Mitsui Sumitomo Insurance Co. / Sumitomo Life Insurance Co.	JN	122,430	25%
Jun-09	Conning & Company	US	Inst	Aquiline Capital Partners LLC	US	100,000	100%
Feb-09	Apax Partners LLP	UK	Alt	GIC Special Investments and Future Fund	Singapore	40,000	8%
May-09	INTECH (Enhanced Investment Technologies)	US	Inst	Janus Capital Group, Inc.	US	38,319	3%
Jun-09	Highbridge Capital Management	US	Alt	JPMorgan Chase & Co.	US	21,000	23%
Jan-09	New Star Asset Management Group plc	UK	Div	Henderson Group plc	UK	14,373	100%
Apr-09	Woori Credit Suisse Asset Management	Korea	MuFu	Woori Finance Holdings	Korea	9,417	30%
Apr-09	Augustus Asset Managers Ltd.	UK	Div	Julius Baer Holding AG	SWI	7,600	100%

[1] The CAAM/SGAM transaction was a contribution deal where Crédit Agricole received 75% and Société Générale received 25% of the equity in the combined entity.

Data converted to US currency at time of announcement. Announced transactions only.

Source: Jefferies Putnam Lovell

EXHIBIT 26: All-Time Largest Asset Management Deals by Transacted AUM

Date	Target	Ctry	Type	Acquirer	Ctry	AUM ($MM)	% Acquired
Jun-09	**Barclays Global Investors**	**US**	**Div**	**BlackRock, Inc.**	**US**	**$1,440,000**	**100%**
Dec-06	Mellon Financial Corporation Inc.	US	Div	Bank of New York Company, Inc.	US	947,000	100%
Feb-06	Merrill Lynch Investment Managers	US	Div	BlackRock, Inc.	US	544,000	100%
Jun-05	Citigroup Asset Management	US	Div	Legg Mason	US	437,000	100%
Jan-09	**Société Générale Asset Management**	**FR**	**Div**	**Crédit Agricole SA**	**FR**	**343,085**	**75%**[1]
Sep-01	Zurich Scudder Investments	US	Div	Deutsche Bank AG	GY	278,000	100%
Nov-99	PIMCO Advisors L.P.	US	Inst	Allianz AG	GY	256,153	69%
Oct-08	Aberdeen Asset Management plc	UK	Div	Mitsubishi UFJ Financial Group	JN	226,300	10%
Jul-08	Russell Investments	US	Div	Nippon Life Insurance	JN	211,000	5%
Jun-00	United Asset Management (UAM)	US	Inst	Old Mutual PLC	UK	203,150	100%

[1] The CAAM/SGAM transaction was a contribution deal where Crédit Agricole received 75% and Société Générale received 25% of the equity in the combined entity.

Data converted to US currency at time of announcement. Announced transactions only. Bold transactions indicate 1H2009 deals.

Source: Jefferies Putnam Lovell

EXHIBIT 27: All-Time Largest Asset Management Deals by Disclosed Deal Value

Date	Target	Ctry	Type	Acquirer	Ctry	DDV ($MM)	% Acquired
Dec-06	Mellon Financial Corporation Inc.	US	Div	Bank of New York Company, Inc.	US	$17,619	100%
Jun-09	**Barclays Global Investors**	**US**	**Div**	**BlackRock, Inc.**	**US**	**13,502**	**100%**
Feb-06	Merrill Lynch Investment Managers	US	Div	BlackRock, Inc.	US	9,602	100%
Jun-07	Nuveen Investments	US	Div	MBO (Madison Dearborn Partners, LLC)	US	5,750	100%
Sep-97	Mercury Asset Management	UK	Inst	Merrill Lynch & Co.	US	5,326	100%
Sep-05	Global Asset Management & 3 private banks	SWI	Alt	Julius Baer Holding AG	SWI	4,600	100%
Jun-07	Blackstone Group	US	Alt	IPO	US	4,130	12%
Apr-00	Robert Fleming Holdings-Asset MGT Division	UK	Div	Chase Manhattan Corp	US	4,100	100%
Feb-07	Putnam Investments	US	MuFu	Power Financial Corporation	CN	3,900	100%
Jun-05	Citigroup Asset Management	US	Div	Legg Mason	US	3,700	100%

Data converted to US currency at time of announcement. Announced transactions only. Bold transactions indicate 1H2009 deals.
Source: Jefferies Putnam Lovell

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