

Issue 14
1st Half 2006

Aug 31st, 2006

New York • Paris • London

Asset Management Focus

Freeman & Co. LLC

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Déjà vu (All Over Again)

The first half of 2006 continued right where 2005 left off with robust activity and a continuation of large transformational deals, highlighted by BlackRock's acquisition of Merrill Lynch's Fund Unit (\$539 Billion AUM) in exchange for a 49.8% stake in BlackRock.

Other continuing trends: alternatives becoming mainstream, divorce of distribution and product manufacturing, and innovation with products (ETFs) and distribution (TAMPs). Developing trends include: more opportunities for public listings (London AIM market), the rise of turn-key (TAMP) platforms and business realignments by large institutions that offer private equity buying opportunities.

Performance as of June 30, 2006

Index	Total Return 1H06	Total Return 1 Year	Total Return Annualized 3 Yr	Total Return Annualized 5 Yr
S&P 500	2.7%	8.6%	11.2%	2.5%
NASDAQ	-1.5%	5.6%	10.2%	0.1%
FTSE 100	6.0%	18.3%	16.8%	3.8%
LBGC*	-1.2%	-1.5%	1.6%	5.1%
HRFI FoF**	6.2%	13.9%	11.7%	8.7%
FTSE Hedge***	2.5%	5.6%	4.8%	4.9%

*Lehman Brothers Govt./Credit Index

** Hedge Fund Research Institute Fund Weighted Composite

***in US\$ terms

Indices at 08/31/06:

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

Summary:

- The first-half of 2006 saw 84 acquisitions and global assets acquired reached record heights of \$797 Billion on the strength of the BlackRock/Merrill Lynch deal. AUM activity was centered in the US (\$700 Billion); European deals totaled about \$100 Billion
- The BlackRock/Merrill Lynch transaction is a further example of large supermarket firms divorcing product manufacturing from distribution, which we witnessed starting in 2005
- ETF products continued to grow rapidly, reaching over \$450 Billion globally, with numerous new product developments among a small group of market leaders
- Private equity firm interest in the sector has increased, particularly as large institutions re-align their platforms and consider selling non-core or poorly positioned businesses
- Public listings of firms, particularly on the London AIM market, have expanded creating important new strategic opportunity sets for firms
- The alternative asset management business continues to mature, with many firms focused on differentiation and the development of specialized products. Transaction volume remains robust, accounting for approximately 25% of total deals

Press Release:

Freeman & Co. Opens London Office

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

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

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