



Freeman & Co. LLC

645 Fifth Avenue
9th Floor
New York, NY 10022
Phone: 212-830-6161
Fax: 212-265-4998

News Release

For Immediate Release

FREEMAN & CO. REPORT DETAILS THE CONTINUED IMPACT OF DIVESTITURES AND THE RESHAPING OF THE ASSET MANAGEMENT INDUSTRY

NEW YORK, September 8, 2009 – Freeman & Co., a leading independent investment bank focused on financial institutions, released the latest edition of its semi-annual asset management industry overview. The report focuses on four key trends in the asset management industry:

Deal Activity

- M&A slowed in the first half of 2009 with announced transactions falling 38% to 74 versus 119 in the same period last year. Total deal AUM increased from \$1.7 trillion to \$2.7 trillion, but the bulk of this figure consists of BlackRock's acquisition of Barclays Global Investors (\$1.5 trillion) and Credit Agricole Asset Management's merger with Societe Generale Asset Management (\$808 billion).
- Deals with AUM greater than \$1 billion declined from 72 to 33, or 54%, in the first half of 2009 compared with the same period last year. However, deals involving middle-market firms with \$500mm-\$1bn in AUM increased slightly from 9 to 10 as smaller companies continued a trend of consolidation

Divestitures Continue Amid Increasing Credit Losses

- Divestitures by financial conglomerates drove M&A in the sector, accounting for \$2.5 trillion in total transacted AUM (~93% of 1H09 total). The trend was highlighted by the Barclays' spin-out, along with the Credit Agricole / Societe Generale joint-venture and smaller divestitures by Mitsui (\$110 billion), Swiss Re (\$70 billion) and UBS (\$25 billion).
- The Federal Reserve estimates that US banks may take in excess of \$1 trillion additional credit losses in the next 18 months, on top of the \$140 billion losses recognized in 1H 2009. Consequently, weaker US banks and other financial firms discussed in the report are expected to continue pursuing sales of large asset management units as a method of capital raising.

Asset Flows

- Asset flows show a contrast between willingness to take market risk (which appears to be rising) versus willingness to take liquidity risk (which remains low). Flows into equity mutual funds have turned positive in 1H09, reflecting a return to riskier, liquid assets. Hedge fund flows are still negative, but following a positive trend: total flows were -\$43 billion in 2Q09 compared to -\$152 billion in 4Q08. However, capital raising for illiquid funds by private equity firms fell precipitously with only \$45 billion funds raised in 1Q09 versus \$472 billion in full year 2008, an annualized drop of 62%.

Plight of the Retail Investor

- US household net worth has fallen by \$12.4 trillion, or 20%, since 2007 led by drops in equities and mutual funds which accounted for \$5.6 trillion, or 45%, of total losses, and a drop in real estate holdings of \$4.0 trillion, or 32%, of total losses. Overall, US households' net worth has retreated to 2004 levels, causing a rapid jump in personal savings from 0.6% in 2007 to 4.4% in 1Q09. The asset management and life insurance sectors will benefit from these higher savings rates and the innovation of new products or planning services to help households meet their retirement funding gap.

Eric C. Weber, Managing Director and COO of Freeman & Co. said: "After near paralysis from last September through this March, deal activity has begun accelerating as firms choose their strategic direction and feel confident they can get close to their target value for asset managers they might sell. With rebounding asset values and healthier capital markets, M&A activity over the next 12 months should be close to historical norms "

About Freeman & Co. LLC

Founded in 1991, Freeman & Co. LLC is an M&A advisory and strategic consulting firm focused exclusively on the financial services industry with offices in New York and London. The company's advisory services include mergers and acquisitions advice, capital raising, underwriting, fairness opinions, restructuring advice and private company valuations. Strategic consulting assignments are customized to client needs and have covered a wide array of projects. Additionally, Freeman & Co. developed a proprietary algorithm and methodology for benchmarking the competitive position of capital markets businesses, which has become the industry standard used by major investment banks. For more information, visit www.freeman-co.com.

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For a full copy of the report or further information please contact:

United States:
Eric C. Weber, CFA
Managing Director & COO
Freeman & Co. LLC
+1 212 830 6162
eweber@freeman-co.com

Europe:
Howard Lee
Founding Partner
HeadLand Consultancy
+44 (0) 207 367 5225
hlee@headlandconsultancy.co.uk