

Issue 2  
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# Private Equity Focus

## Freeman & Co. LLC

### Inside this Issue:

p. 2	Financial Services Boom
FIG PE Trends: p. 3-11	
p. 3	Macro Outlook
p. 4	Asset Management
p. 5	Financial Technology
p. 6	Banks & Broker-Dealers
p. 7	Insurance
p. 8	Specialty Finance
p. 9	European Trends
p. 10	Hedge Fund Services
p. 11	Portfolio Exits
p. 12	Fundraising
p. 13	PE Firm Transparency
p. 14	Buyouts & Debt Risk
p. 15	Collision in Alternatives
p. 16	Supplemental Data: FIG PE Charts
p. 18	Freeman & Co. PE Coverage & Activity

### Indices and Rates at 9/27/07:

DJIA	13,913
Nasdaq	2,710
S&P 500	1,531
FTSE 100	6,486
10-yr U.S. T-Bond	4.57%
USD per GBP	\$2.02
USD per Euro	\$1.41

## The Stampede Rumbles On

This has been quite an era for private equity. With leveraged buyouts leading the way, activity in the industry has continually transcended levels previously thought unreachable. Macro trends such as a friendly credit market and lofty returns have driven private equity ("PE") through record year after record year. While a recent assessment and re-pricing of risk has put the brakes temporarily on many large, leveraged transactions, we believe a core PE market remains and is already showing signs of reemergence. Within the Financial Institutions Group ("FIG"), PE investments are soaring to new highs as financial services undergoes a renaissance of its own as previous thoughts around the attractiveness of the FIG space for PE is updated. This report aims to deliver insight and highlight key areas of this overlapping region called FIG PE.

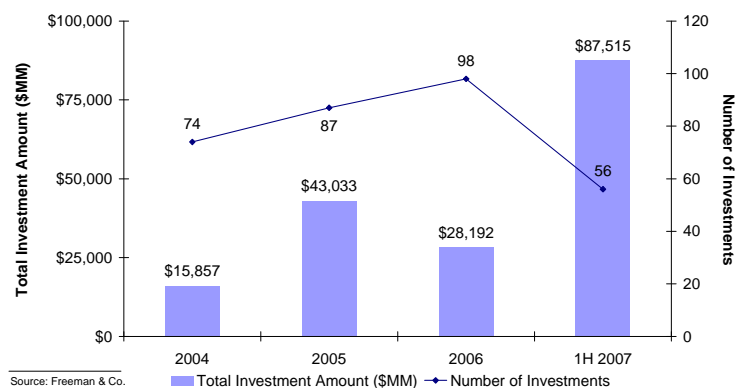
Below are several of the FIG PE trends over the last year and looking forward:

- 1. Asset Management Appetite** – PE (and others) are hungry for these sticky-client, fee-driven enterprises
- 2. Rise in Financial Technology** – investing in the firms that make financial services faster and more efficient
- 3. Hedge Fund Services** – the rise of hedge funds creates rapid growth in its ancillary businesses
- 4. Portfolio Exits** – the new art of cashing out in PE
- 5. Risk Adjusted Returns** – recent FIG PE returns viewed as superior when examined on a risk adjusted basis

FIG PE activity posted gaudy numbers during the first six months of 2007 ("1H 2007"), more than tripling the total investment amount from all of 2006, largely due to two buyouts each worth over \$25 billion:

SLM Corp. and First Data Corp. Although August's credit dislocation will no doubt put the brakes on the FIG PE sector in the short term we continue to believe the sector will offer an increasing number of opportunities in the years to come.

### PE Investments in FIG (2004-1H 2007)



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