
The Role of Managed Money in Industry Success

*Money Management Institute
Managed Account Solutions Conference*

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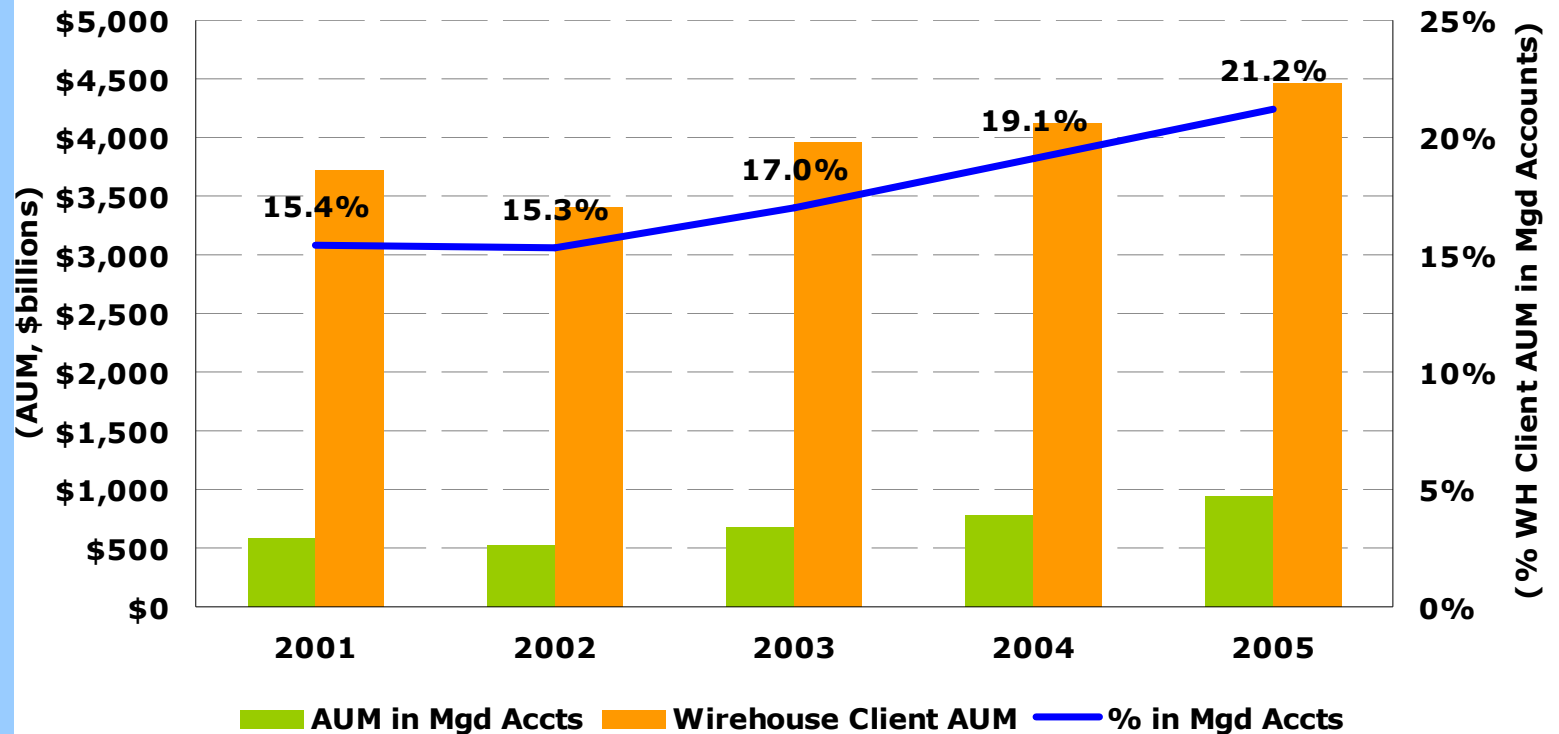
Grail Partners LLC

October 18, 2006

Managed Accounts, the Ubiquitous HNW Solution

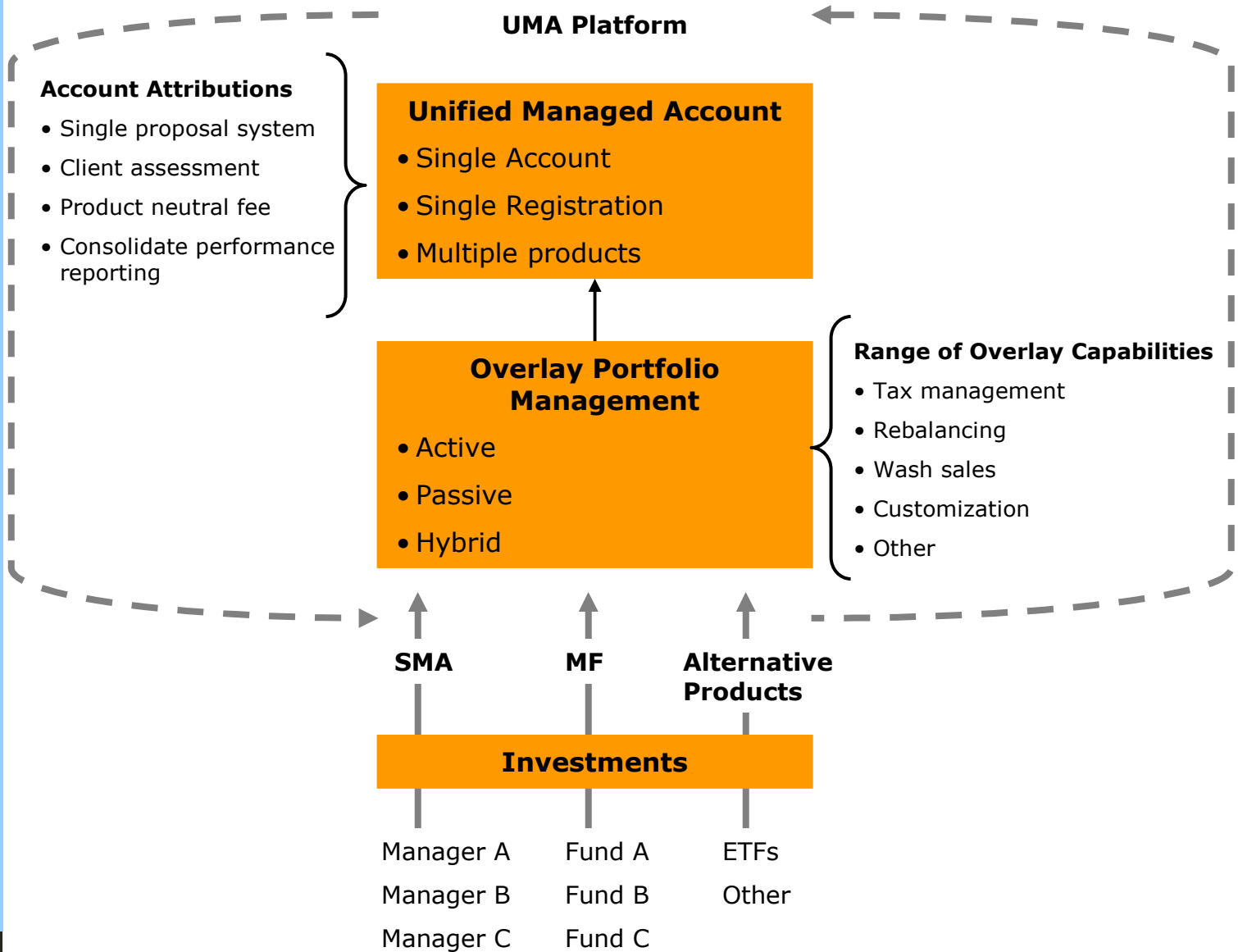
- Major distributors favor fee-based advisory programs:
 - Favorable economics
 - Stability of client relationship
 - Improved wallet-share

Wirehouse Client AUM and % in Managed Account Programs



Source: Cerulli Associates, Company Reports, Grail Partners estimates
Wirehouses = Merrill Lynch, Smith Barney, UBS, Morgan Stanley, and Wachovia Securities (and predecessors)
Managed accounts = SMA programs, MF wrap, Fee-based brokerage, and Rep-as-portfolio manager programs

Better Platform, Improved Managed Account Delivery: Unified Managed Accounts



Managed Accounts Have Been a Source of M&A Activity

- The bulk of SMA asset manager acquisitions occurred in 2003, but has slackened since
- Turnkey Asset Management Platform (TAMP) transactions have experienced a similar cycle

Select SMA Asset Manager Transactions

Date	Target	Acquirer
May-06	MDT Advisers LLC (90%) ¹	Federated Investors
Feb-06	Anchor Holdings LLC (80%)	Boston Private Financial Holdings Inc.
Mar-05	Nuveen Investments	Secondary Offering (St. Paul Travelers sale)
Sep-04	Oak Ridge Investments, LLC	Pioneer Investment Management
Mar-04	1838 Investment Advisors	MBO (Management and Orca Partners)
Jun-03	Parametric Portfolio Associates ²	Eaton Vance
May-03	NewBridge Partners LLC	KeyCorp
Apr-03	Avatar Investors Associates Corporation	Overture Asset Managers LLC
Mar-03	Groupama Asset Management	Gartmore Global Investments, Inc.
Mar-03	Berkeley Capital Management	MBO
Jan-03	Boyd Watterson Asset Management, LLC	Mercantile Bankshares Corporation
Sep-02	Ashland Management Inc. (SMA Business)	Mellon Financial Corporation
Nov-01	Kayne Anderson Rudnick Inv. Mgmt. ³	Phoenix Investment Partners Ltd.

Select Turnkey Asset Management Platform Transactions

Date	Target	Acquirer
Jun-06	AssetMark Investment Services	Genworth Financial
Jun-05	FundQuest	BNP Paribas
Mar-04	Net Asset Management	Investnet PMC
Sep-03	ADVISORport	PFPC (PNC Bank)
May-03	London Pacific Advisors	SunGard
Aug-02	Lockwood Financial Group/ EMAT	Bank of New York Co.
Apr-02	RunMoney.com	ADVISORport
Oct-01	Centurion Capital Group, Inc	General Electric Financial Assurance
Jul-01	Portfolio Management Consultants	The Investnet Group

Notes:

1) MDT was originally acquired by Value Asset Management in June of 2002.

2) Parametric completed an MBO from Allianz in April of 2001.

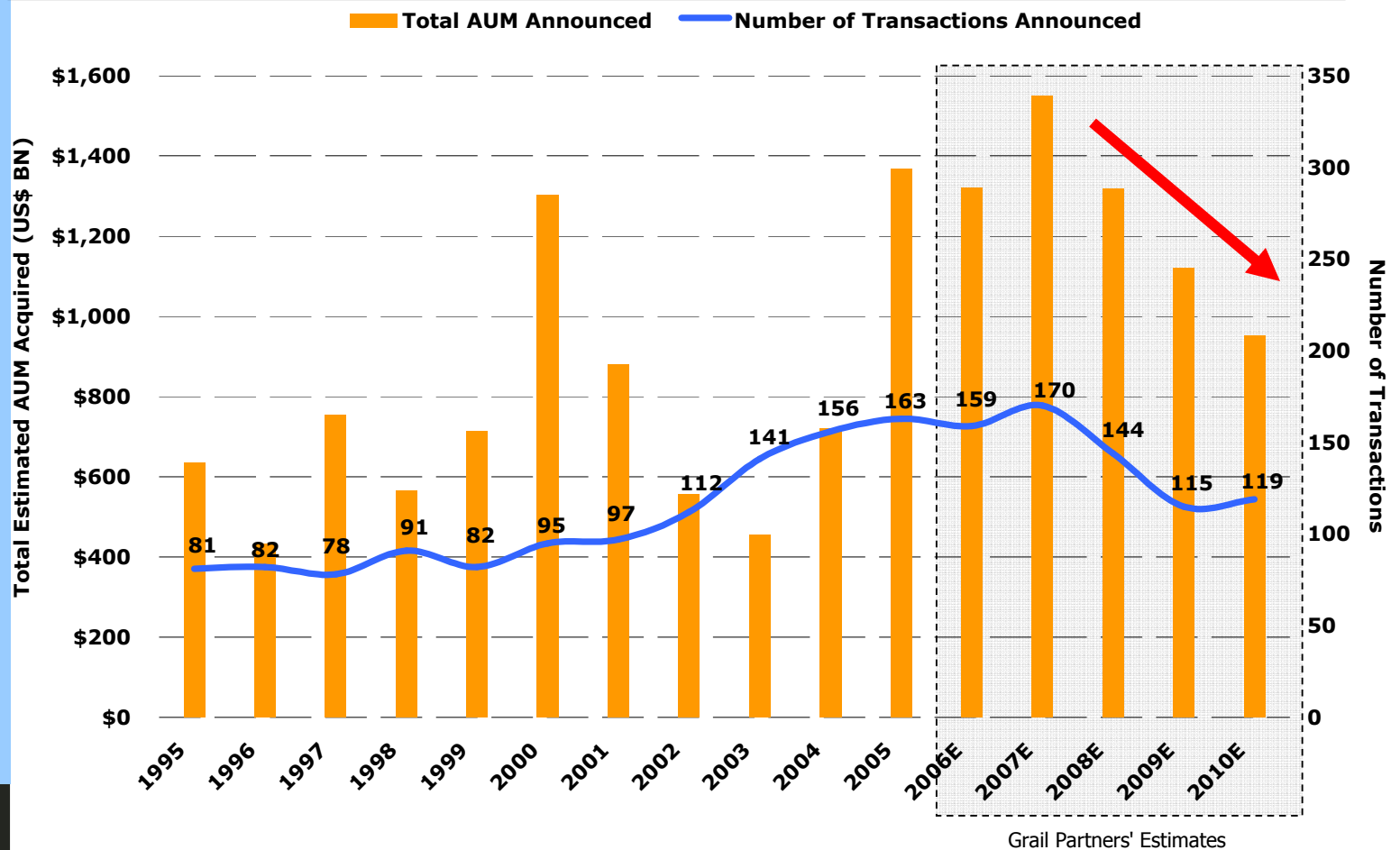
3) Phoenix acquired the remaining minority interest in Kayne Anderson in October of 2005.

Source: Grail Partners and public sources

Overall, The Asset Management M&A Boom Should Continue, for a Period

- Grail estimates a flurry of asset management M&A activity in the coming years,
- Followed by a cyclical decline in volume, similar to the post-bubble period

Historical and Forecasted AUM Acquired and Number of Transactions



Public Asset Manager Equity Has Traded at a Premium

- Markets have applied a clear premium to public managers, reversing historical trends
- Transaction multiples have trended downward since 2001, reaching a floor in Q2 '05

Historic Trailing 12 Mth Public, Rolling Transaction GCV to RR EBITDA Multiples

