

Capital IQ

A Division of Standard & Poor's

Monthly Market Observations

High-level perspectives of public equity, credit markets, private capital, M&A, and more...

September 2009



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Pages 3 to 11 is an abridged version of a report produced by S&P's Global Fixed Income Research Team (GFIR) . To learn more about GFIR's capabilities, please reference the contact information below and see page 12.

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After a gut-wrenching episode of financial turmoil in the fall of 2008, we are now beginning to see some pullback. This is to be expected, as the credit cycle looks set to enter its next phase, typified by the end of a recession. Some of the telltale signs are:

- Among nonfinancial issuers, downgrades and negative bias (proportion of issuers with a negative outlook or ratings on CreditWatch negative) have been declining since their most recent peaks in March 2009.
- Spreads tightened significantly over the past four months, part of the powerful surge seen in both bond and equity prices.
- The groundswell of liquidity in the bond market is helping to offset the still-dormant loan market. Investment-grade-rated issuers are the most immediate beneficiaries, but upper tiers of the speculative-grade market also have benefited, to some extent.
- The ratings mix continues to improve as growing ranks of defaulters cleanse the ratings pool of its most vulnerable entities.

All of these factors are in line with what we typically see in the late stages of recessionary periods, as is the tendency for default rates to lag the economic cycle. Nevertheless, our expectation is that this time around, the recovery process will be slower than normal. A few reasons for this might stem from the slower pace of recovery in the credit markets, namely:

- The nonfinancial ratings mix at the start of this cycle was the worst on record.
- Covenant pressure abounds, with an estimated 26% of speculative-grade-rated companies remaining at serious risk of potentially breaching covenants over the next six months (see "Many U.S. Speculative-Grade Corporate Borrowers May Breach Loan Covenants This Year," published Aug. 3, 2009, on RatingsDirect).
- Although the issuance spigot has opened, the outlook remains dim for the weakest-rated companies. The funding gap prompted by the withdrawal of collateralized loan obligation (CLO) funds and other structured vehicles has been only partially filled.

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- Loan-heavy capital structures have potentially weighed down senior collateral, and recoveries associated with secured loans likely will be more muted than average
- Economic fundamentals are improving off of the worst levels reached in the past two cycles. Plenty of spare capacity remains in manufacturing and high unemployment, and falling credit has dented consumers' ability to spend. However, recent data have been positive, suggesting that consumer spending is notching up and manufacturers are starting to increase production in response to higher demand. Nevertheless, we expect the initial stages of the recovery to be soft, with real GDP growing 1.5% in 2010, which will correspond with stabilizing, but not rapidly improving, credit quality.

The Worst May Have Past

Battered by a deep recession and a financial crisis, nonfinancial credit quality took a drastic downturn in 2008. Since the recession officially began in December 2007, Standard & Poor's Ratings Services has downgraded a total of 1,106 companies (through July 2009), and nonfinancials recorded 193 defaults (through the first half of 2009). The stress over the past 19 months has caused the ranks of the weakest issuers to swell. The number of nonfinancial companies rated 'CCC+' or lower increased to 168 (113 of these have a negative outlook or ratings on CreditWatch negative) on Aug. 14, 2009, from only 67 at the end of 2007.

On the positive side, the worst may have already past. In prior cycles, credit quality tends to stabilize at or near the end of the recession, as seen by a peak in the number of downgrades and negative bias. This occurs along with stabilization in equity and bond prices, credit market conditions, profits, and economic activity.

A rundown of this list reveals that most of these conditions have been met. Similar to the prior two downturns, nonfinancial downgrades appear to have climaxed, with the peak in nonfinancial downgrades as a percentage of the rated population reached in March 2009 (see chart 1 on following page). In addition, negative bias hit a pinnacle in March and has declined over the past four months, signaling that fewer companies are likely to see near-term rating changes (see chart 2 on following page).

Market measures also corroborate the stabilization story. Spreads on bonds, loans, and credit default swap (CDS) have tumbled considerably since the first quarter of 2009, as perceptions of credit risk and liquidity risk subsided from highly elevated levels. Indeed, the speculative-grade corporate bond spread has rallied 928 bps since its peak in December and has generally tightened as implied equity market volatility has declined. Similarly, a comparison of the latest data on the most recent roll of the CDX North America Investment-Grade Index and CDX North America High-Yield Index shows that CDS spreads have declined more than 150 bps and more than 700 bps, respectively, since late December. Improvement can also be seen in the loan market, where the average bid on loan prices has increased from a trough of approximately \$61 in December to \$81 at the end of July, according to Standard & Poor's Leveraged Commentary & Data Group and the S&P/LSTA loan index.

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Chart 1: Downgrades As % Of Total Rated Firms

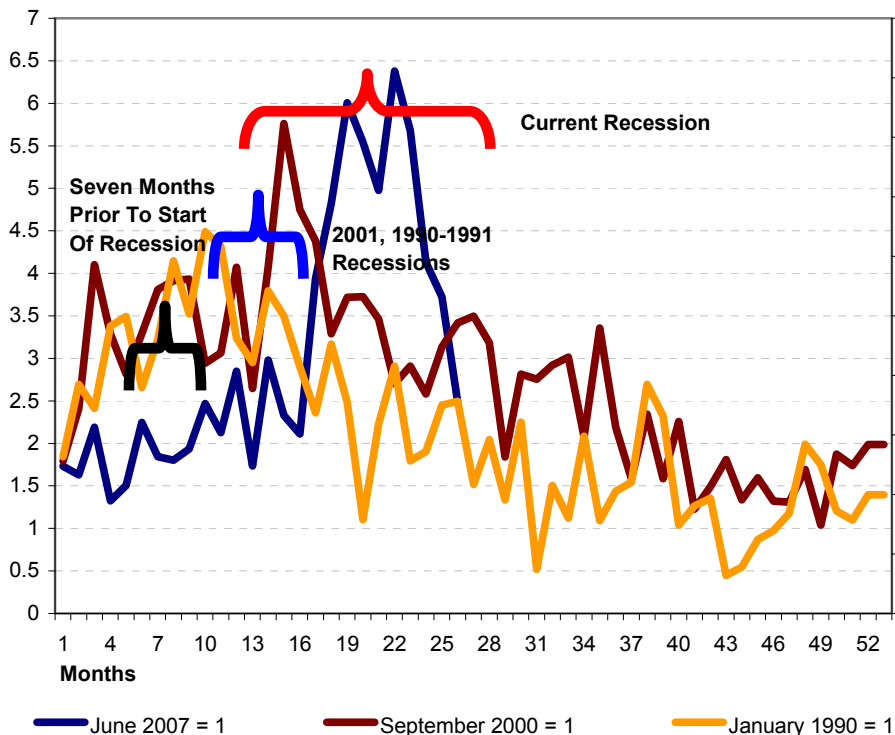
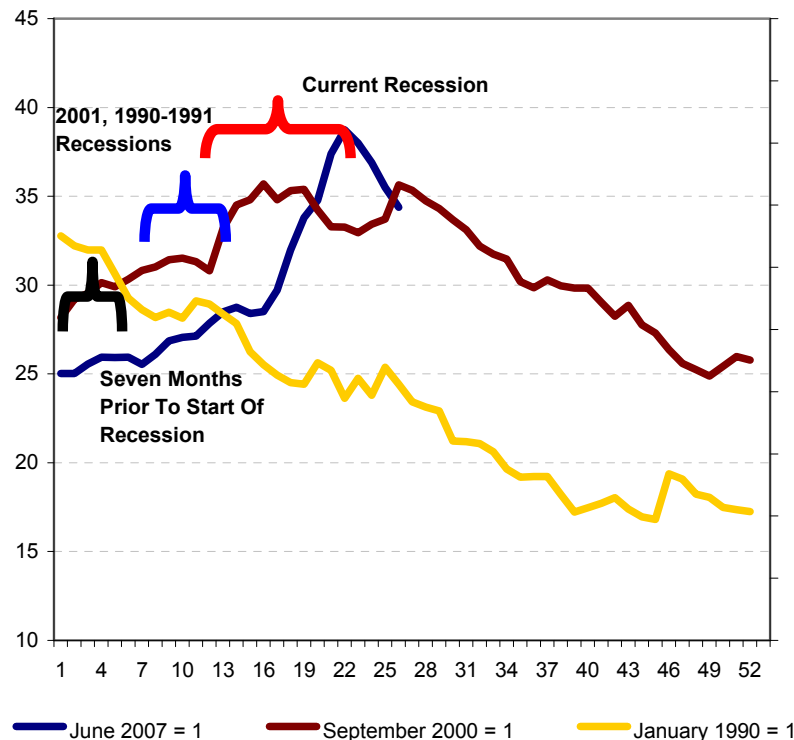


Chart 2: U.S. Nonfinancials Negative Bias %

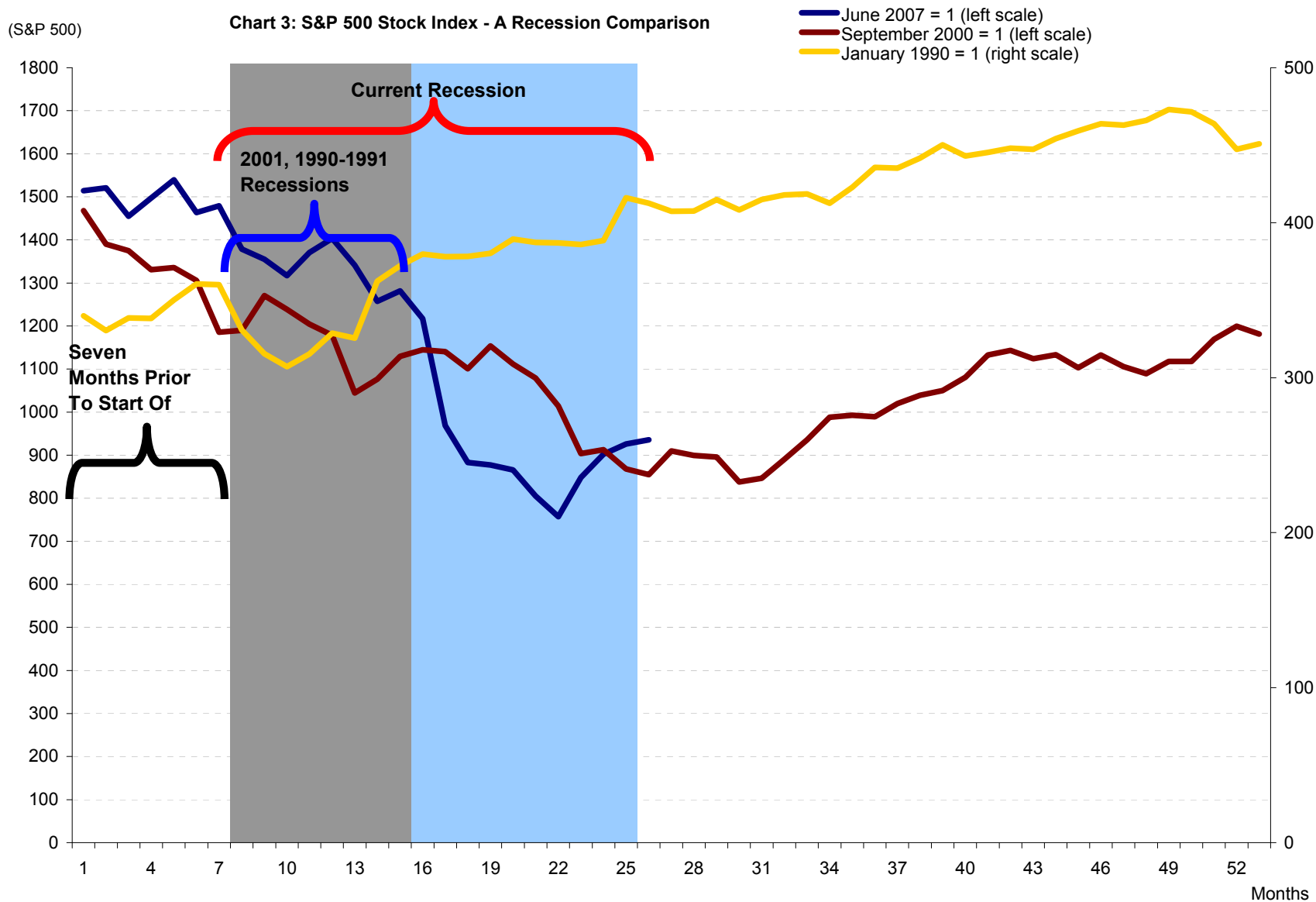


The equity market also has rallied significantly off the recession trough, but valuations are still well below prerecession levels. The S&P 500 is up approximately 45% from its trough, a much larger rebound than what we saw five months from the trough in the past two recessions. However, equity prices would have to climb another 58% to match the S&P 500 prerecession high, set in October 2007 (see Chart 3 on next page). As we know from prior cycles, equity valuations can be slow to rebound to prerecession levels. It took almost seven years for the S&P 500 to reach the 2000 peak.

The bond market also has sprung back to life, with robust nonfinancial corporate bond issuance of \$291 billion in investment-grade debt and \$64 billion in speculative-grade debt so far this year (see chart 4 on following page). Investment-grade-rated issuers have easily accessed the primary bond market, and the stronger companies in the speculative-grade pool have been able to refinance debt, though at a high cost. However, conditions remain relatively tight for highly leveraged borrowers at the bottom of the ratings scale.

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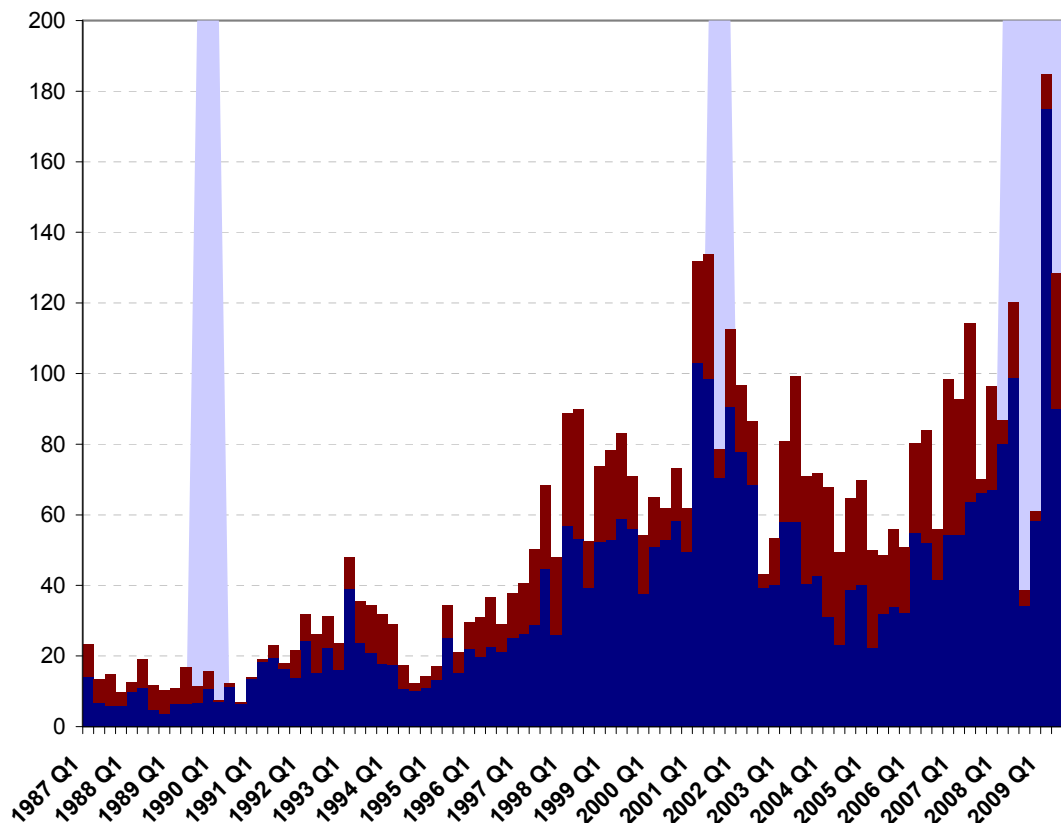
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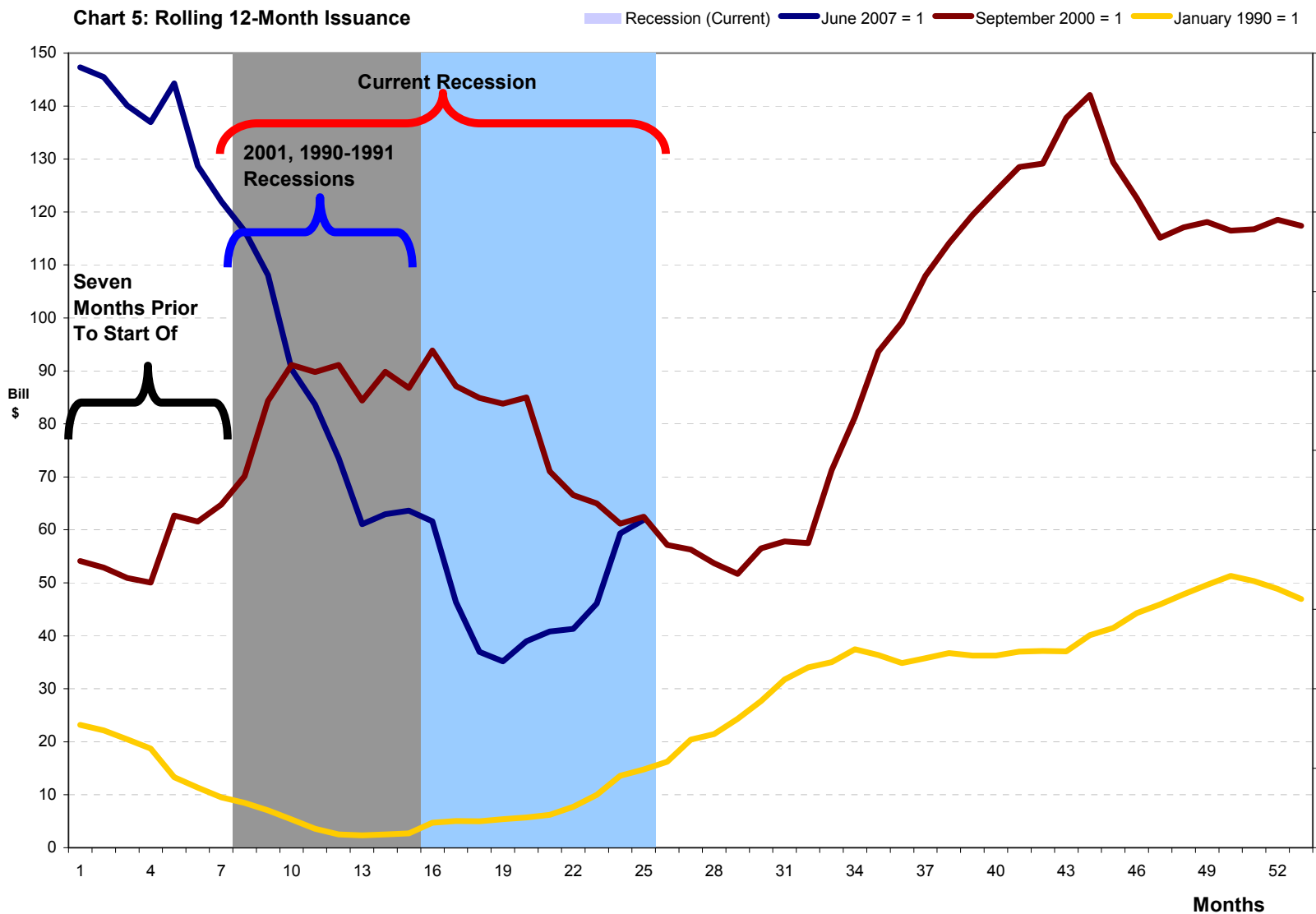
Chart 4: U.S. Nonfinancial Corporate Bond Issuance by Quarter



Comparing speculative-grade issuance in the past few cycles, we see that nonfinancial high-yield volume took a much larger hit during the current recession (chart 5 on following page). Indeed, issuance dropped to \$35 billion in 2008 from \$122 billion in 2007. More recently, speculative-grade bond issuance has surged, largely resulting from the need to refinance or secure working capital. Looking ahead, we continue to expect that refinancing will be the primary cause of new issuance, especially in the high-yield market. Issuance might continue to ramp up next year ahead of the 2011 maturity schedule, which we expect to jump to approximately \$200 billion in 2011 from \$115 billion in 2010 (see “U.S. Refinancing Study: Elevated Speculative-Grade Refunding Needs Lay Ahead,” published May 7, 2009, on RatingsDirect).

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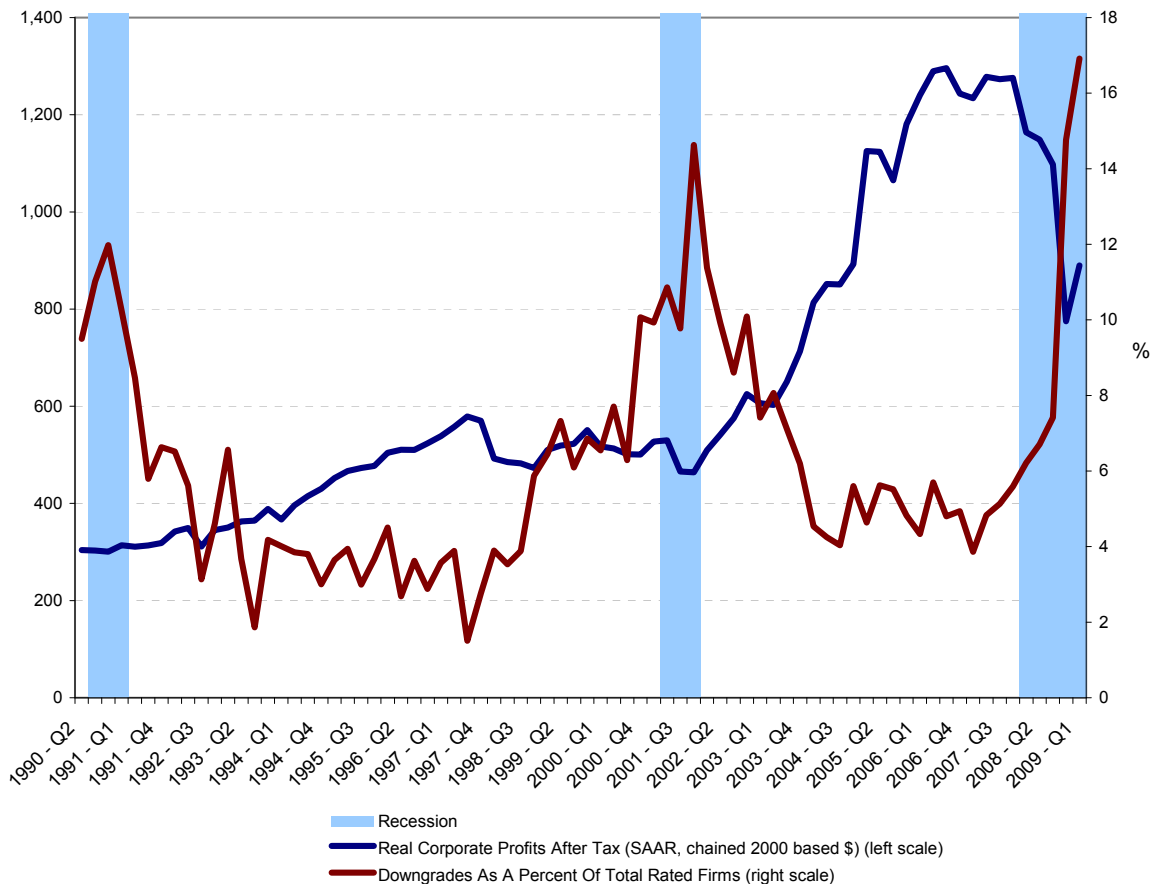
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Chart 6: Corporate Profits and Nonfinancial Downgrade Proportion



Recent data on economic activity and corporate profits also have had a positive tilt, generally indicating that the economy as a whole might be closer to stabilizing. Real GDP fell only 1% in the second quarter of 2009, better than expected, though growth figures were revised downward for the past three years (see “U.S. Weekly Financial Notes: Green Shoots Grow,” published July 31, 2009, on RatingsDirect). The Institute of Supply Management (ISM) manufacturing survey rose to 48.9 in July from 44.8 in June, and industrial production was up 0.5% in July (1% for manufacturing), the first increase since the recession began. Both signal that the manufacturing sector is starting to rebound.

The profit cycle also appears to have troughed. In the past two recessions, real corporate profits have bottomed out one quarter prior to the peak in downgrades, and this appears to be the same in this cycle. If the current trajectory holds up, profits appear to have bottomed out in the fourth quarter of 2008, one quarter ahead of the peak in downgrades (see chart 6). Based on public companies’ reported results for the second quarter of 2009, profits appear to have turned the corner. Positive earnings surprises are outpacing negative surprises 1.9 to 1, a testament to how quickly U.S. corporations can reduce costs. Both Total reported net income and earnings per share, while down 40% over 2008, have improved over the past two quarters.

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Although the worst is likely behind us, it would be a mistake to infer that we are permanently out of the danger zone. The pace of the decline in credit quality certainly has slowed, but we should not expect to see a meteoric turnaround. Rather, we see the decline in downgrades and negative bias as representative of stabilization that typically occurs in the late stage of a recession and the early part of an economic recovery. However, this stabilization cannot disguise the fact that default and downgrade risk remains elevated. Even though a high volume of defaults has weeded out the weakest links, the ratings mix indicates there is residual pressure in the pipeline, with more than 60% of U.S. nonfinancials still rated speculative grade. Within the speculative-grade category, the share of companies rated 'B-' or lower is still a relatively substantial 26.4%. Given the number of highly leveraged companies in poor financial condition, we expect defaults will continue even beyond the trough in GDP data. As in past cycles, the default rate will lag the recession. We expect a speculative-grade default rate of 13.9% in the 12 months ending in June 2010, still a notable increase from 9.37% at the end of July 2009.

Second, though primary corporate credit market conditions have improved substantially in the past six months, the cost of capital remains elevated. The coupon rate on new issues has been greater than the coupon rate on the issues being refinanced. The average coupon on new issues with a maturity of greater than two years has been 9.1% for 'BB' rated bonds and 10.3% for 'B' rated bonds, well more than the 6.7% for 'BB' rated bonds and 8.1% for 'B' rated bonds in our sample of bonds maturing in 2009. In addition, new issue discounts have been higher, pushing overall yield-to-maturity up to 11.4% for 'B' rated bonds and 9.8% for 'BB' rated bond issues. Higher interest expense will place companies that are forced to refinance amid high rates at a disadvantage.

Third, notwithstanding a burst of issuance activity in the second quarter, not all borrowers can be assured access to the credit markets, and many weaker borrowers, usually rated 'B-' or below, remain shut out. Indeed, only \$5.8 billion of the total \$64 billion raised in speculative-grade bond volume has been rated 'B-' or lower this year (see chart 7), reflecting continued investor caution toward these low-rated issuers. Borrowers who in prior years might have obtained funding easily in the loan market are finding themselves increasingly squeezed on options. Some have successfully sought to amend and extend pending maturities. However, amendments come at a cost, which is generally the combination of a fee, a 100-basis-point to 200-basis-point step-up in the interest rate, and potentially tighter covenants, all of which can add cost and pressure to the borrower.

Loan market volumes have fallen precipitously. Over the past few years, institutional and pro rata loan issuance have accounted for 75%-80% of the speculative-grade debt volume, according to Standard & Poor's Leveraged Commentary & Data Group. Through the first seven months of the year, only 35% of debt volume has come from the loan market. The pullback from institutional investors, especially related to CLOs, has made refinancing in the loan market more difficult. Indeed, data from Standard & Poor's Leveraged Commentary & Data Group show that CLOs bought approximately 60% of the institutional loans issued during 2002-2007. Although the speculative-grade market has picked up some of the slack from the loan market, the hole has not been completely filled.

Fourth, covenant breaches are another concern, with a recent report showing that on average, a little more than 25% of a sample of 350 speculative-grade credits have covenant compliance concerns ("Many U.S. Speculative-Grade Corporate Borrowers May Breach Loan Covenants This Year," published August 3, 2009 on RatingsDirect). Until top-line growth returns, a number of companies could breach covenants, which in some cases could trigger a liquidity event that could be a forerunner to bankruptcy or an out-of-court restructuring. Declining covenant headroom (either because of a step-down in financial covenant levels or deteriorating operating performance) is another signal that defaults risk remains elevated.

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Fifth, elevated loan volumes, combined with the higher leverage multiples on senior debt during the boom years, raises the risk that senior secured recoveries, particularly among conventional bankruptcies, might be lower this time around. During 2003-2007, the amount of senior debt leverage on large corporate transactions increased substantially. Among smaller transactions of less than \$50 million, leverage multiples were even higher. Although by the first quarter of 2009 senior leverage multiples among large transactions had fallen back to near 2004 levels, deals from the 2006-2007 vintage remain vulnerable to underperformance from a recovery standpoint.

(Bill \$) **Chart 7: % Amount and % of B- and Below Rated U.S. Nonfinancial Bond Issuance**

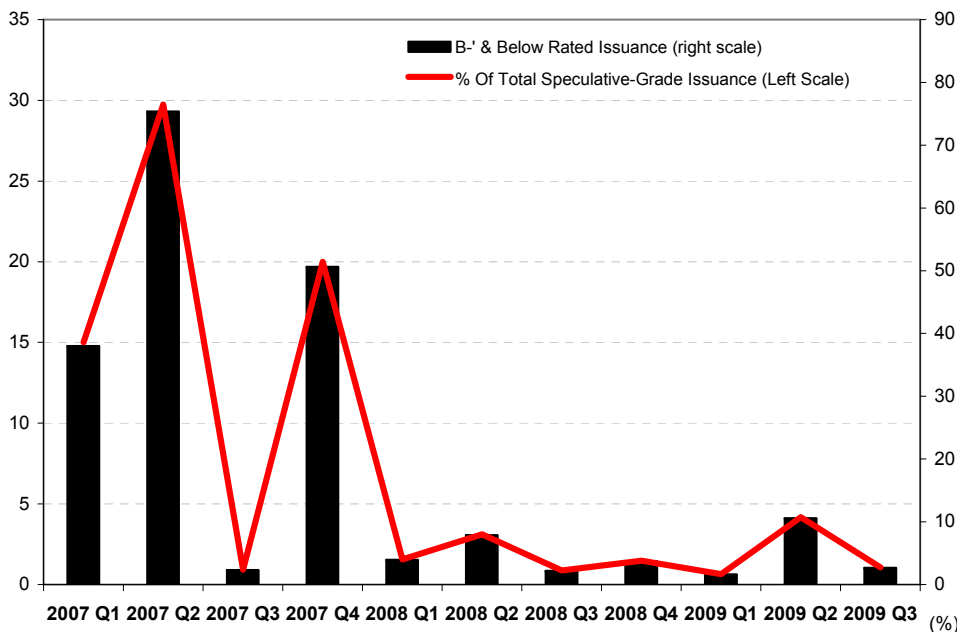
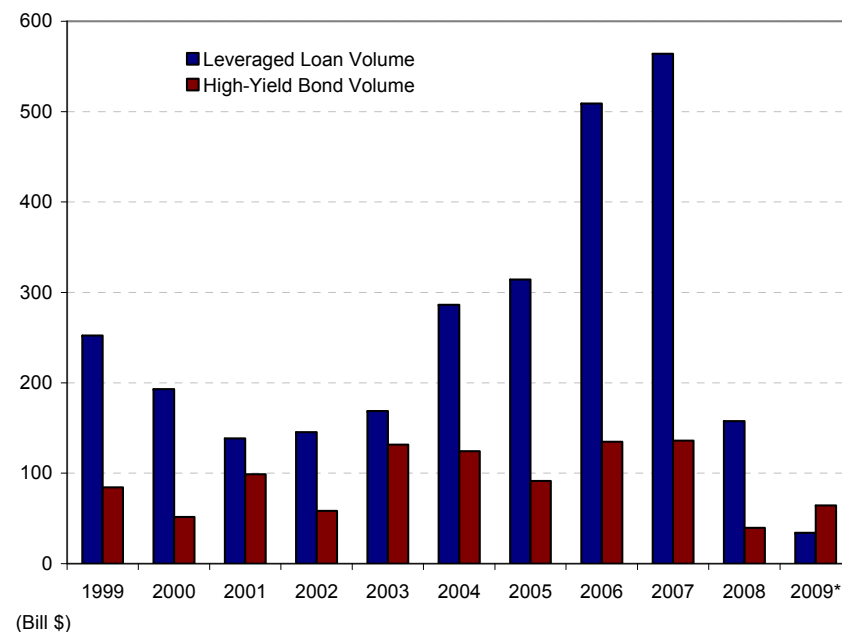
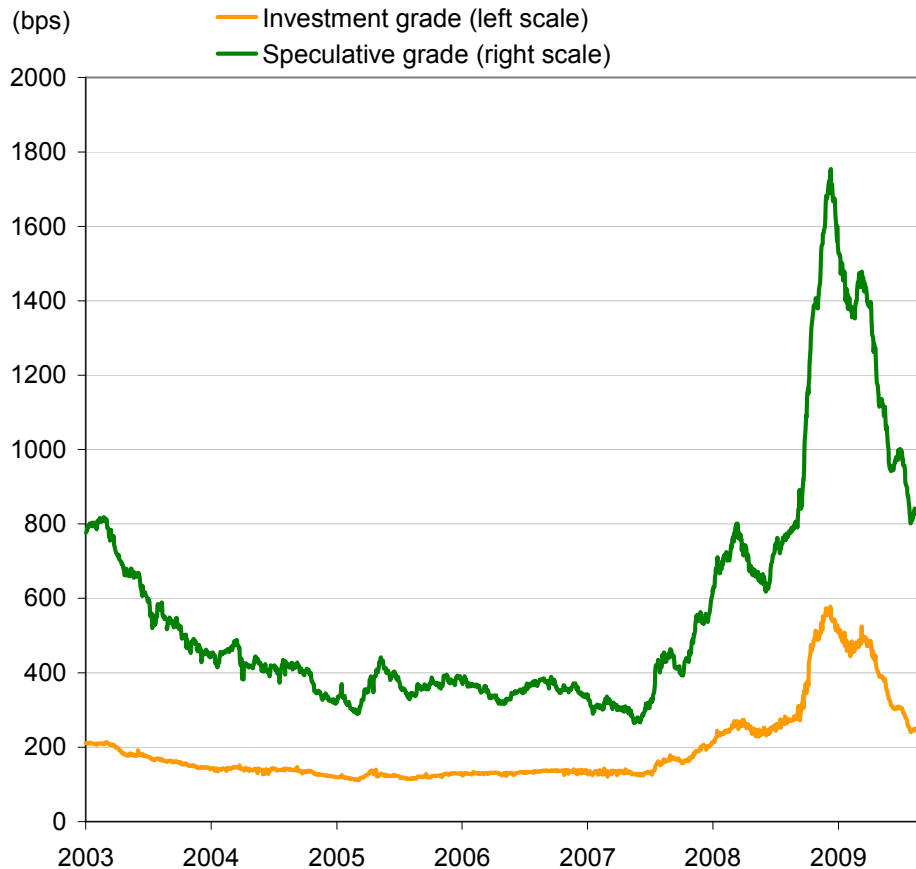


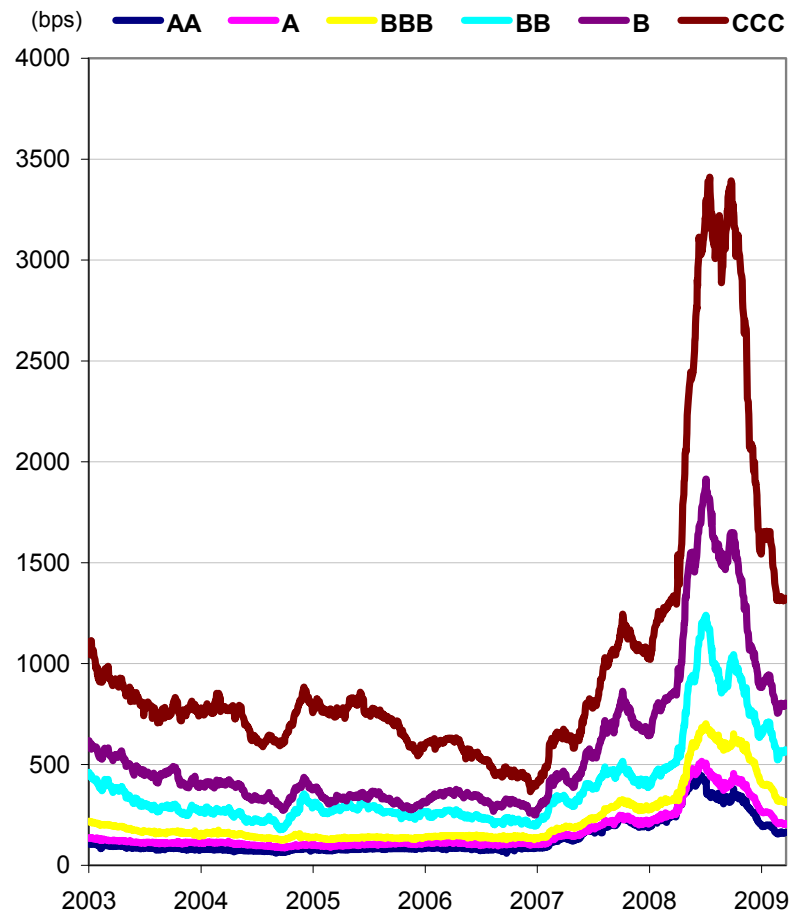
Chart 8: U.S. 12 Month trailing Speculative-Grade Default Rate Across Cycle



Spreads by Grade



Spreads By Rating Category



Data as of Sep. 4, 2009. Source : Standard & Poor's Global Fixed Income Research. AAA, CC, and C rating categories not displayed due to small sample size.

What is GFIR?

S&P's GFIR produces timely credit snapshots and in-depth analysis for U.S., Europe, and Emerging Markets including downloadable charts and tables.

GFIR's reports include:

- Global Potential Fallen Angels / Rising Stars
- Potential Bond Downgrades / Upgrades
- Distressed Debt Monitor
- Weakest Links
- U.S. / Europe Ratings Distributions
- U.S. / Europe High-Yield
- U.S. Refunding Outlook
- U.S. Commercial Paper Outlook

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Global Potential Rising Stars

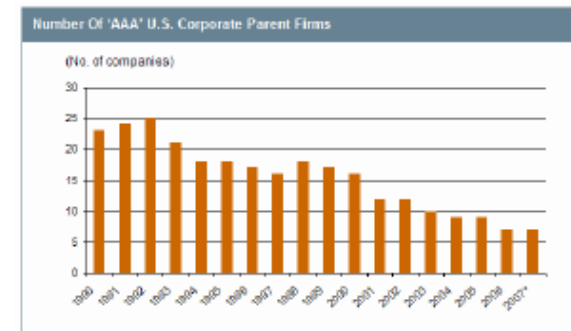
The key points from this month's report are:

- The gap between Fallen Angels and Rising Stars is narrowing in the financial markets.
- As of Oct. 19, 2007, 31 globally rated entities are on the number reported in September and one less than a year ago. US\$152.7 (€106.8) billion in rated debt, of which US\$10.5 billion joined the potentials list this month. Global rated 'BB+' with either a positive outlook or with rating watch negative.
- Globally, 30 issuers have entered into investment-grade compared with 26 in the comparable period of 2006. Market financials led the charge with eight entities. Western Oil Sands Inc., a member of our potential rising stars list, is a notable example.
- Strong economic growth and solid financial health led to a universe of rising stars. The number of rising stars increased to 11 entities for the second consecutive month.
- The trend in 2007 reverses the 2006 trend where 20 stars equaled fallen angels, each rising star included utilities, insurance, and consumer products.
- Based on rated debt volume, U.S. is the largest issuer and producer in the world and a member of our potential rising stars list, with US\$12.9 billion in rated debt.

'AAA' U.S. Corporate Firms (cont.)		
Exxon Mobil Corp.	Stable	Integrated oil and gas
Automatic Data Processing Inc.	Stable	High technology
General Electric Co.	Stable	Capital goods
Johnson & Johnson	Stable	Health care

Date as of Oct. 19, 2007. Excludes Financials. Source: Standard & Poor's Global Fixed Income Research.

Chart 1



Credit Trends:

Downgrade Potential Across Credit Grades And Sectors

Potential downgrades are defined as rated entities that have either a negative outlook or ratings on CreditWatch with negative implications across rating categories, 'AAA' to 'B'. This month, we note these key points:

- Downgrade risk surged globally in the last couple of months, though it remains lower than the 2006 average. The number of entities at risk of downgrades increased to 650 in October, 12 more than the number reported in September and 15 more than the average reported in the past 12 months.
- Geographically, the U.S. tops the list of potential bond downgrades, in part, because of greater credit volatility but also because of a larger rated population. Of the total number of entities, 69% are based in the U.S., and 16% are in Europe.
- The highest ratios of issuers with a negative bias relative to their total rated universe continued to be concentrated in the media and entertainment, consumer products, retail/restaurants, and automotive sectors, indicating that these sectors are potentially most vulnerable to credit-quality deterioration.
- Of the leading sectors at risk of deterioration, automotive, consumer products, and media and entertainment have consistently appeared in our monthly potential downgrade reports since the beginning of the year. Weakness in the consumer discretionary domain is not surprising, given the negative effect of an economic slowdown, the housing decline, and high energy prices.
- 'B' rated companies are most at risk for potential downgrades, with 133 companies (20% of the total). Of the 650 companies at risk for downgrades globally, 64% have ratings of 'BB+' or lower.

The Market, Credit, and Risk Strategies group (MCRS) is a separate and independent research team at Standard & Poor's. The objective of this group is to provide unique financial intelligence by analyzing relationships across multiple asset classes and markets.

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As another follow-up to our Company USA reports, Standard & Poor's MCRS group reviewed the performance of a notable non-U.S. index, the FTSE 100 Index, which represents the 100 most highly capitalized U.K. companies listed on the London Stock Exchange. Our new grouping, which we're calling "Company UK," aggregates the performance of FTSE 100 component companies in a similar way that Company USA aggregates the financial performance of the S&P 500. In general, Company UK's financial results are not reported quarterly, so they aren't as current as Company USA's results, but we believe that worthwhile information can be gleaned for our study.

The initial intent of our study was to see if Company UK's credit metrics lagged those of Company USA. Many economists believe that because the U.S. economy led the global economy into the current recession, it will be the economy that leads the world out. However, since historical results for the U.K. have not been reported as broadly or as frequently as they have been for the U.S., the timing of when the U.K. entered the global recession and when it might get out becomes fuzzier. Nevertheless, we found several factors that are interesting from a relative perspective and may indicate Company UK's ability to adapt to and rebound from the recession.

Key takeaway items for Company UK in the first quarter of 2009 were:

- Company U.K.'s leverage (debt to EBITDA) is intimately tied to the performance of the FTSE 100, more so than that of Company USA to the S&P 500
- On a combined basis (financial and nonfinancial), Company UK's leverage exceeds that of Company USA, and it increased over the nine-year period we observed through 2008. However, without the impact of its financial components, Company UK's leverage was actually lower than that of Company USA and declined during the period. This suggests that Company UK's financial companies may have been even more aggressive than their U.S. counterparts in terms of risks assumed compared with profits generated.
- Company UK's debt to capital may have already peaked: The 2008 level is lower than that of 2007. The decline was spurred by its financial components' drop in debt.
- Company UK's nonfinancial components had better EBITDA margins during the period, which contributed to better debt-servicing ability (i.e. interest coverage). Its lower debt to capital also helped Company UK's nonfinancial components operate a lower-risk capital structure compared with Company USA.

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Through most of the period, Company UK's nonfinancial constituents operated less efficiently from an inventory management perspective than Company USA's nonfinancials. However, Company UK's nonfinancial companies drastically reduced their inventory days by year-end 2008. Although Company UK may have been more preemptive than Company USA about reducing its allocated capital during the global recession, the move may position Company UK better for when growth returns, which some economists think may happen as early as later this year.

From a valuation perspective, Company UK's enterprise multiple remains lower than both its nine-year mean and Company USA's enterprise multiple, which may present investment opportunities

Potential Opportunity

Compared with their U.S. counterparts, Company UK's nonfinancial operations have historically higher margin EBITDA as well as lower credit risk, thanks to higher interest coverage and less-risky capital structures. These factors create the potential for Company UK's nonfinancial components to exit the recession in better shape than U.S. counterparts.

However, its financial components remain worrisome. In our view, their profitability remained unstable as of year-end 2008, although its lower debt could signal that Company UK is cleaning up its balance sheet. In addition, Company UK's valuation is at recent historical low, possibly owing to concerns surrounding its financial components. Its valuation is lower than the mean and that of Company USA.

With Company UK's nonfinancials better positioned than its financial components because of their better margins and lower write-off risks, FTSE 100 investors may opt to protect themselves against a market retracement by hedging with one of the FTSE financial services' sub-indices, such as the FTSE AIM Financial Services Index.

Another potential strategy may be to hedge using options on the S&P 100 Equity Index, which we noted in our earlier Company USA report is correlated to the S&P U.S. High-Yield CDS Index, in our view. If Company UK's nonfinancial margins are better, and it's less leveraged than Company USA, the potential exists that it could outperform once the financial component settles down. Additionally, the gap between Company UK and its historical enterprise multiple mean is wider than the comparable Company USA multiple.

Observations

Similar to what we discussed in our Company USA reports, there appears to be a relationship between the performance of the FTSE 100 and the leverage of its components. Company UK's leverage trends are roughly in sync with the FTSE 100's average, including the index's 2007 intra year peak of 6,732 on June 15 and the 2007 year-end mark of 6,457, which coincided with Company UK's leverage of 8.2x, the highest of 2007 (see chart 1 on following page). In 2008, leverage declined to 6.7x while the FTSE 100 dropped to 4,434 by year-end.

Company USA's performance against the S&P 500 showed similar patterns since 1993 (see chart 2 below), but it was not as consistent as that of Company UK, which may owe to Company USA's results being adjusted quarterly while Company UK's results are adjusted annually. The larger difference between charts 1 and 2 lies in the 2000 to 2006 period, but the relationships have been similar since 2006.

From a leverage perspective, Company UK tells two different stories: Its financial components took on excessive debt, and profits materially declined, but its nonfinancials took on a relatively smaller amount (see chart 3 on following page). Company UK's debt to capital grew substantially from 2000 to 2007, especially within its financial components, which doubled their debt to capital during the period. Company UK's debt to capital decreased in 2008, but it remains relatively high. However, 2007, which reflected the group's highest debt to capital, may have been this cycle's peak. If Company UK follows the example of Company USA, another quarter or two of deleveraging would occur followed by a rebound in the FTSE 100 Equity Index.

Chart 1: Company UK Leverage Vs FTSE 100 Index

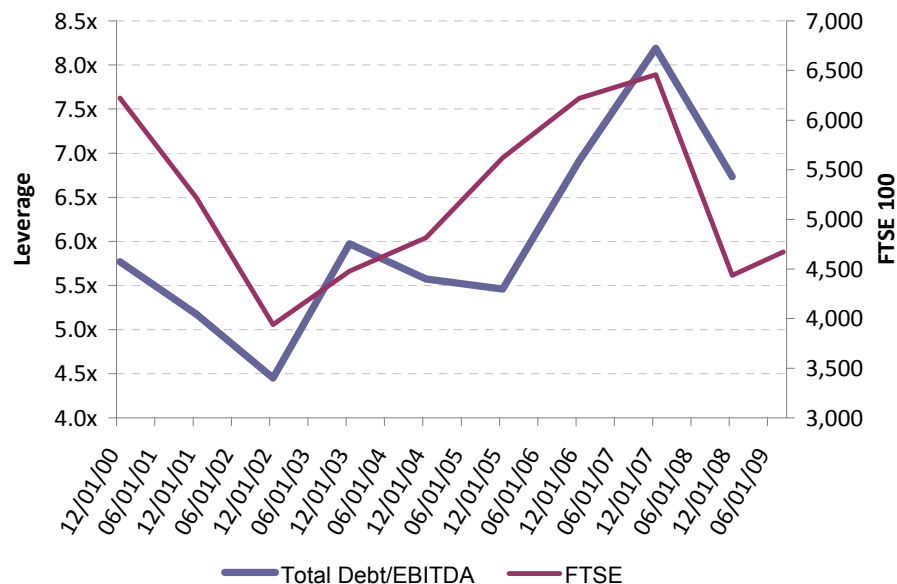
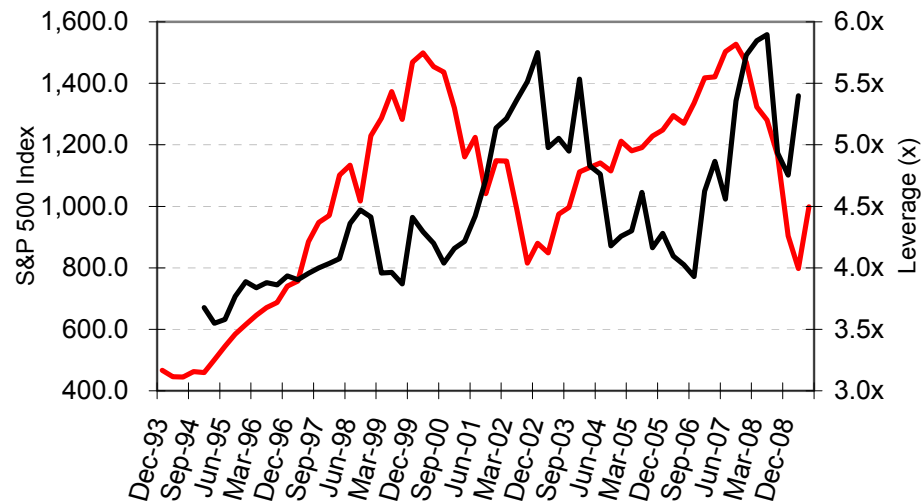


Chart 2: Company USA Leverage vs S&P 500 Index



On a combined basis (financials and nonfinancials), Company UK's leverage increased to 8.2x in 2007 before declining to 6.7x in 2008 (see chart 4 below). Arguably, Company UK's financial components were more volatile and less profitable than their U.S. counterparts. While Company USA's financial components' EBITDA went negative for the fourth quarter of 2008, the group still produced enough EBITDA to limit its leverage increase to 32x as of March 2009. Conversely, Company UK's financial components were barely positive in 2008, which increased leverage to extremely high levels, which are not material or relevant from a comparable basis because low EBITDA distorts the leverage ratio. However, like Company USA, Company UK's financial components are significantly smaller than the nonfinancial components, which limit their impact on the entire entity, but their presence is still felt, especially in the combined leverage ratio.

Chart 3: Company UK Debt to Capital

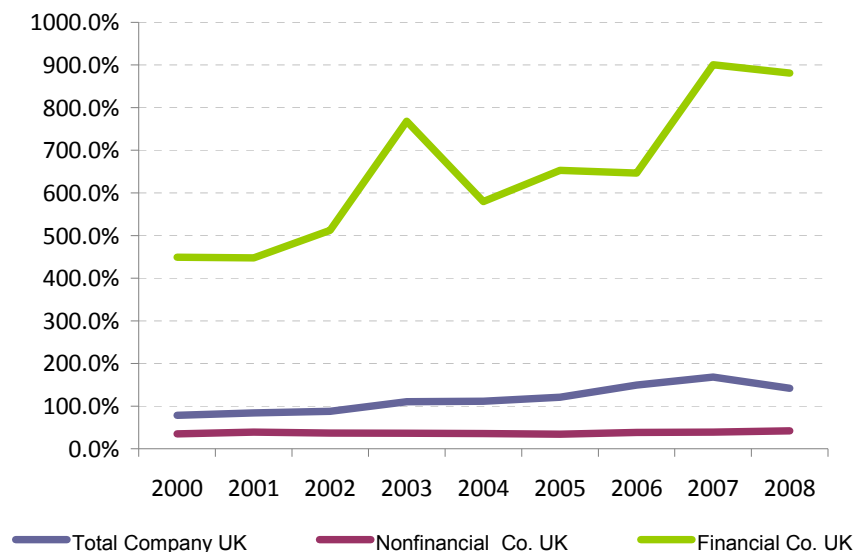
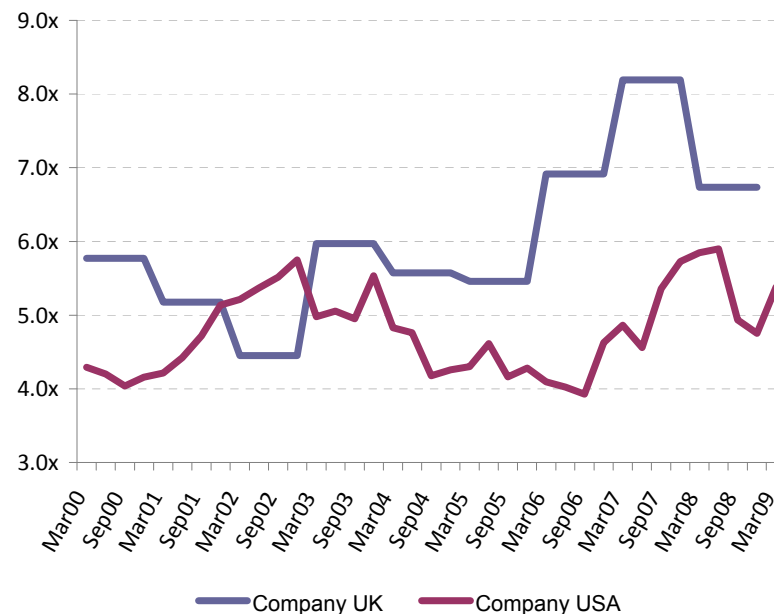


Chart 4: Combined Total Debt to EBITDA



Company UK's nonfinancials had much lower leverage than the group's financial components. Company UK's nonfinancial components also had lower leverage than Company USA's nonfinancials since the end of 2001; their solid EBITDA offset increasing debt (see chart 5 on following page). As of year-end 2008, Company UK's nonfinancial leverage was 1.7x compared with Company USA's nonfinancial leverage of 2.0x. Company USA's leverage had increased to 2.2x as of March 2009. Comparatively, Company UK's financial component increased its debt more than threefold since the end of 2001, but its financial performance was erratic.

Company UK's better nonfinancial EBITDA margins likely aided its lower leverage. Company UK's nonfinancial components consistently exceeded the EBITDA margin of Company USA's nonfinancials (see chart 6 below). Although the EBITDA margin declined during the past two years, it remains above that of Company USA. As of year-end 2008, EBITDA was 17.5% for Company UK's nonfinancials compared with 16.7% for Company USA's nonfinancials. Even if Company UK's nonfinancial margins decline further in the next year, it is possible that the drop could be a short-term event (based on its history), which may position Company UK better for a global economic rebound.

Chart 5: NonFinancial Total Debt/EBITDA

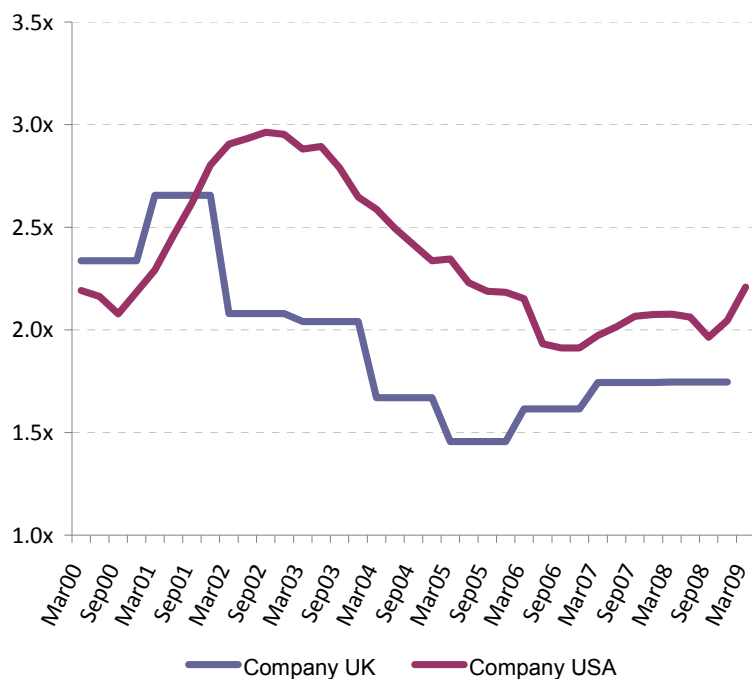
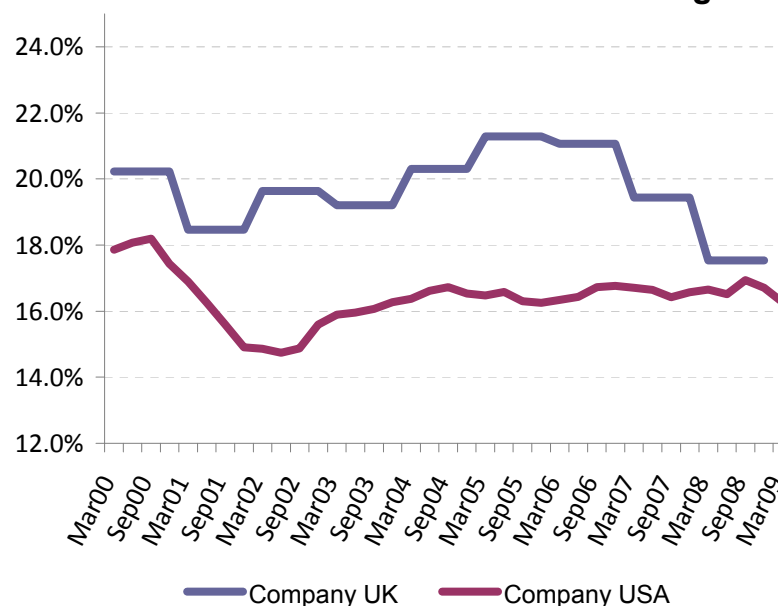


Chart 6: Nonfinancial EBITDA Margin



Fixed Income | UK

Company UK's lower nonfinancial debt capitalization levels relative to those of Company USA may improve its financial flexibility (see chart 7).

Company UK's interest coverage for nonfinancial companies significantly exceeds that of Company USA (see chart 8). As with the EBITDA margin, the trend appears to be long-tailed: It has exceeded that of Company USA's nonfinancial interest coverage since year-end 2001.

Company UK's nonfinancial components may have had more lax inventory management for much of the observed period as measured by its days of inventory, but that took a drastic turn in 2008, likely as a result of actions initiated in response to the global recession (see chart 9 on following page). Company USA's nonfinancial inventory days stayed within a close range (and even began to increase after September 2008), but Company UK's inventory dropped from to 32 days by year-end from 49 days. That decline was by far the most striking change observed between Company USA and Company UK. However, many economists think the downturn in the U.K. started after the U.S., and inventory days may increase again in 2009 as a result of the receding economy creating the potential for lower comparable sales. Nevertheless, positioning its inventory for the recession should benefit Company UK as it navigates through the turmoil and allow for flexibility when it finds the exit.

Chart 7: Nonfinancial Debt to Capital

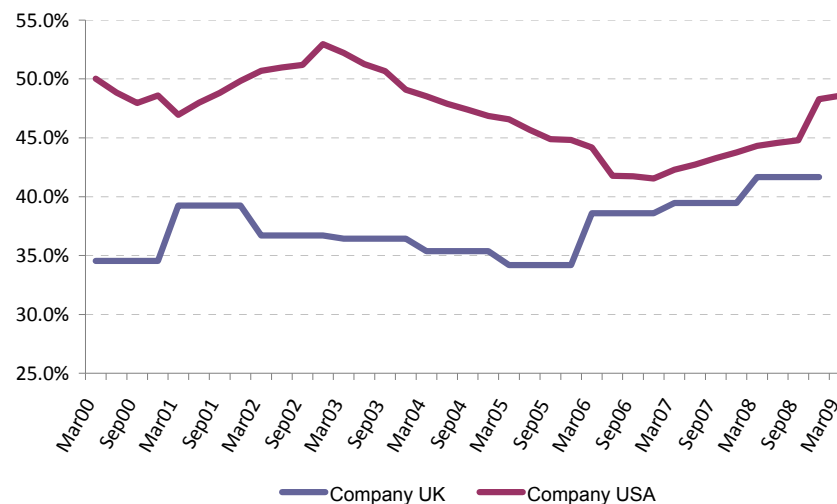
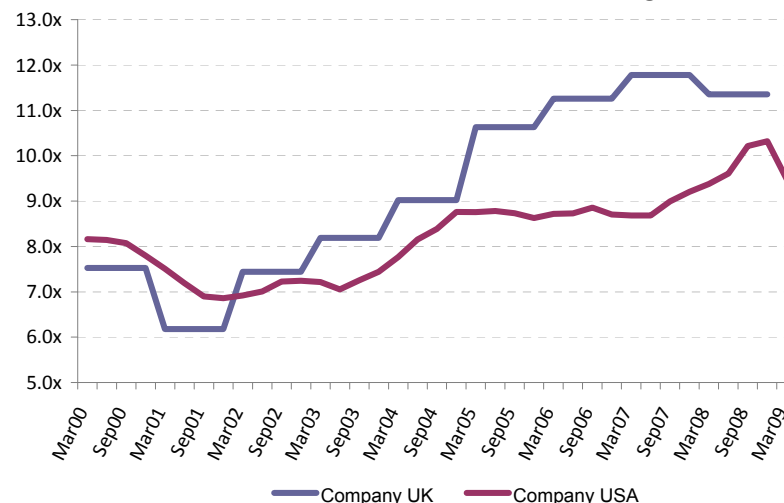


Chart 8: Nonfinancial Interest Coverage



Concluding Thoughts

Overall, Company UK reflects a bifurcated entity, with its financial components displaying significant weakness while its nonfinancial entities actually are performing solidly relative to U.S. counterparts. If the U.K. exits the recession later this year, it is possible that its nonfinancial components will lead the way while its financial components may lag as they continue to account for commercial and residential mortgage write-offs. Comparatively, Company USA does not appear to have as much flexibility.

In terms of valuation, we estimate that Company UK's enterprise multiple (enterprise value to EBITDA) is lower than that of Company USA, which we calculated at 10.5x for the first quarter of 2009. Comparatively, we estimate that Company UK traded at an enterprise multiple closer to 8.9x using equity data as of March 31 combined with year-end financial data. Company UK's enterprise multiple was greater than Company USA's multiple for the better part of the decade, but dropped below it in 2007 (see chart 10). As of March 31, Company UK's enterprise multiple was at its lowest point in our study and materially below the nine-year mean of 13.2x. The drop in Company UK's enterprise multiple has been longer and deeper than Company USA's drop, which rebounded modestly last quarter.

With Company UK's lower valuation, better margins in its nonfinancial businesses, and the potential that leverage peaked in 2007, a case can be made that Company UK is relatively undervalued and may be ready for a rebound in the near term.

Chart 9: Inventory Days

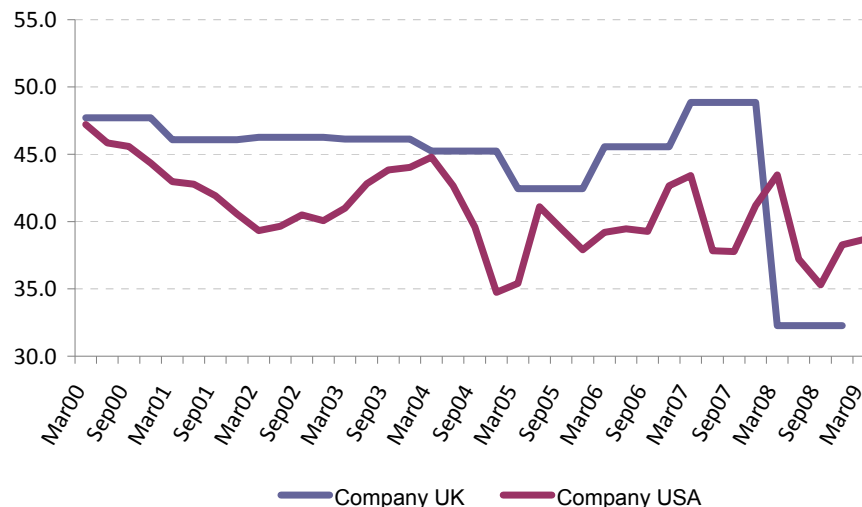
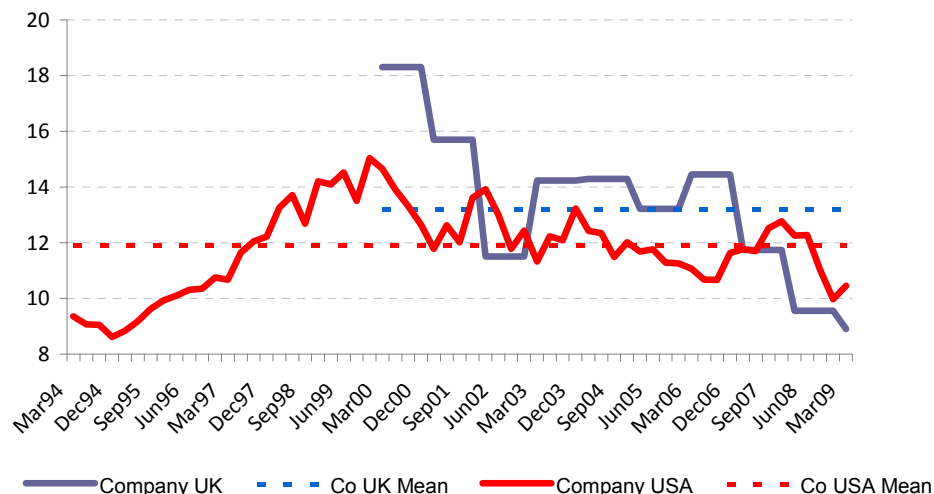


Chart 10: Enterprise Multiple - Company UK vs Company USA



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Term	Bid	Change	Mid	Change	Ask	CTO Trading ID
1	2,278.47	550.40	2,451.5			
2	3,463.21	220.38	3,716.3			
3	4,027.89	183.64	4,319.1			
4	4,280.71	112.83	4,588.6			
5	4,502.16	215.62	4,718.6			
6	4,432.03	140.99	4,750.8			
7	4,459.71	164.18	4,780.6			
8	4,511.39	161.92	4,835.5			
9	4,511.39	161.92	4,835.5			

Use in the Capital IQ Excel Plug-In

Change % 1 Week: Bid 77.24, Ask 76.47, Mid 32.70, Spread 35.88

LTM CDS Price Chart

General Motors Corporation (NYSE:GM) Evaluation Date Range | Sep-30-2007 - Sep-30-2008 | Daily

CDS Term: 5 Year

CDS Type: Senior

Quick Stats: Bid 77.24, Ask 76.47, Mid 32.70, Spread 35.88

Chart showing Bid and Ask prices in Basis Points over time.

Summary Data:

- Senior
- Evaluation Date: Sep-30-2008 | Document Clause: Modified Restructuring | Currency: USD
- 1,500.00 (\$ mm)
- (37.5) (bps)
- Nov-22-2013
- 100.5
- ID: IOT48606471

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<h2>Industry Perspective</h2> <p>Pages 24 to 33</p> <p>3i Group's Perspective on Growth Capital (24- 33)</p> <p>Transcript of an interview of Robert V. Stefanowski (Chairman and Managing Partner at 3i North America, 3i Asia, and 3i Group plc) by Kelvin Thompson, Managing Partner at MontaRosa LLC at the Argyle Executive Forum's 2009 Leadership in the Private Sector event.</p>		

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Accounting Master Class
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10-11 December 2009
Building and Managing
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The following is a transcript of an interview of Robert V. Stefanowski (Chairman and Managing Partner at 3i North America, 3i Asia, and 3i Group plc) by Kelvin Thompson, Managing Partner at MontaRosa LLC at the Argyle Executive Forum's 2009 Leadership in the Private Sector event on June 18, 2009 in Los Angeles. Argyle Executive Forum is a media company that produces professional conferences for the senior operating executives and board members of private and public firms, investment professionals, as well as for policy makers. For more information about Argyle Executive Forum's events, please contact Jason Redlus at jredlus@argyleforum.com

[Kelvin Thompson]: We get the comfy chairs so that can't be bad.

Before, before kicking this off and I, I'm a headhunter for those of you who don't know me so getting the chance to interview one of my clients on stage is rather good fun. But ...

[Robert V. Stefanowski]: For you maybe.

[Kelvin Thompson]: For me? Yeah, for me. The first question as we meet, to talk about growth capital is who's involved, who's engaged here in growth capital? Can you raise your hands? Okay and who is interested in hearing about growth capital? Could you raise your hands? Okay, so we'll keep this broad as well as narrow in growth capital otherwise 50% of the audience is going to want their lunch faster than having to listen to the rest of this.

So my question Bob is that you have many job titles. You're Chairman of Asia, Chairman of U.S. I'm not quite sure what the other job titles are. You're living in the U.K.; you have an American accent. And in growth capital what value do you bring to LPs and 3i's stakeholders in such a role?

[Robert V. Stefanowski]: Sure, thanks for that wonderful question. I, just to back up a little bit. I was with GE Capital for about fifteen years. I've just been with 3i for about six months now and part of that move was relocating from the U.S. to London. And having Asia and the U.S. and living in London is an interesting dynamic. Last week I was in India; the week before that, I was in China; the week before that I was in the U.S. And last night – I've got three young daughters and last night I was packing to come over and the ten year old, they're very, they're very intuitive. She said, 'Well, let me understand this Dad. You made us move from the U.S. back to London and you cover Asia and the U.S. How does that work?' And I really didn't have a good question for her other than we love the British schools. I mean my daughter wears a uniform; it's buttoned up to here. You know they stand when somebody enters the room. So it was very a personal rather than a professional decision.

But anyway, to answer your question. You know we, 3i has a European heritage, publically held company, FTSE-100 company and not that well known in the U.S. I think if I were to ask people whether they've heard of it, I'd probably get about 50% of the people that know it. But we've got a surprising international presence. We've got a billion dollar infrastructure fund in India that's doing very well.

Private Equity | Industry Perspective

We've got about six hundred million of primarily growth capital assets in the U.S. and I was really brought in from GE to try to expand that international presence. What we find that even if we're doing a company based in Canada, they may have a manufacturing subsidiary in China. We've got a company called John Hardy which makes jewelry. It's based in China but they sell into the U.S. market. You see the Asian influence here in the West Coast so I was really brought in to try to develop that and make us a little bit more international than we have been traditionally.

I don't know if that answered your question but it was a good speech.

[Kelvin Thompson]: Yes, it sounded really good actually.

Well the follow-up question to that is you also have growth capital, you have buyouts, you have infrastructure, you have venture – you have some remains of a venture portfolio?

[Robert V. Stefanowski]: Yep.

[Kelvin Thompson]: So based on that and the geographic overlay, where are you spending most of your time and focus today? And what do you see as the medium term trends beyond that and can you give us some specific examples?

[Robert V. Stefanowski]: Yeah, you know I think in terms of geography, it's Asia. Again, I was in China a couple of weeks ago, GDP if you believe the government's growing; it's 7%. You go to India, GDP is growing at 6%. Very, very different feel than the U.S.; there's a lot going on. We've got a lot of realizations. Our infrastructure fund in India is about 30% investors. We've got a power company. We've got a manufacturing company. We've got a port. We're very optimistic about what's, what's going on there, so clearly Asia, a ton going on.

In terms of product line in the U.S., we're more focused on the growth capital product as well as Asia. A lot of these countries in Asia, you can't take control. You know just as a foreign purchaser, you're not allowed to take control in China or India. So the growth capital problem is where you come in and you've got a minority share of the business; you team up with the management team and you help drive the company going forward, has been a good product for us. I also think with the lack of liquidity in these markets, the growth capital product is nice because you don't have to add a ton of leverage. Generally, you're putting just equity and you've got a couple partners at the table. You've got a couple board seats and it's not about levering a company nine times and then trying to realize the equity upside.

So we think that, that growth capital product which we've been doing for quite some time, will continue to be pretty attractive going forward.

[Kelvin Thompson]: And the synergies between the different strategies, do you run them in separate groups or are they, are they, do you actually have professionals who will work across the different growth capital buyouts, whatever the case is?

[Robert V. Stefanowski]: Yeah, they are separately run but there are also a lot of synergies. We just sold a company in China called Little Sheep. It's a restaurant chain where we had a minority interest and a U.S. firm called Young Brands came in and did a buyout of the entire thing. So, so there's a fair amount of synergies between what the buyout guys are working on and what the, the growth capital guys are working on.

Infrastructure a little bit more separate, although even there, there is some overlap. If they're looking at an energy firm that doesn't technically fit the infrastructure space, they'll send it over to the growth capital guys and take a look at it. So, and I don't want to turn this into a 3i advertisement but you know what's nice about the firm is there's a lot of knowledge sharing between the different specialties. It's all the same thing. It's investing in companies but it's three separate product lines.

[Kelvin Thompson]: When we go to look at growth capital, for those of you who are interested in it, what are the unique issues that need to be addressed to maximize returns in that asset class? That's question one. And question two is, for those who aren't interested in growth capital, should they be, if so, why?

[Robert V. Stefanowski]: Let me start with the second part. Again, we've been in this for a while and we've got an international presence which we think is great. A lot of the buyout people are starting to drift into the growth space because the leverage isn't available which is interesting because if you talk to LPs, I know Elliot Royce was up here earlier, they're very concerned about style drift and when they invest in a certain fund, they want you to stick what you're good at. So it's interesting that, that a lot of these firms are kind of shifting their focus to where it's active right now. And it's active because of what I said before. There's no leverage out there. These are easier to get done.

In terms of challenges, it's not having control of a company that brings a whole set of challenges. What we like to do is work well with management, get a couple board seats. But that's not as, as powerful as owning a company and being able to do whatever you want through the board. So you've gotta find a way to work with management to develop that relationship, hopefully have a common view of the future both in terms of strategy and in terms of exit. You know some of these family-run companies they need you for capital but just, they don't want to exit three years you know when some of these equity firms do.

So you try to go into it as more of discussions, more of a partnership to make sure you don't end up in trouble as you get into it and you don't have the power to really alter it because you don't own 100%.

[Kelvin Thompson]: So on that note with the current climate, what do you, what are you doing also, obviously with your background at GE as well, to deal with the issues of having to more than just influence changes when it comes to leadership and management in the companies?

[Robert V. Stefanowski]: Well a lot of it is about operating and again, it was mentioned this morning, you're not going to get high leverage; you're not going to get the multiple expansions. So where are you going to create value? And a lot of it's going to be in the operating site. The question is is there substance to what you're doing? Again, former GE guy Jack Welsh went on the board of Clayton Deciliters. You know we've tried that model.

The problem is you don't want somebody who's so senior that wants to come to four board meetings a year, have a nice dinner and then get on with their real life. So a lot of these firms will advertise we've got this great stable of names. The question is can you find someone who's willing to roll up their sleeves, go spend a month up in Canada looking at a plastics company to help you add value. So we've actually moved it down a little bit. We don't necessarily want a great name. We want somebody that knows the industry that has good interpersonal skills that can come in and work with a company; not come in and pretend to know all the answers and really help to add value because that's where we think the growth is going to be.

[Kelvin Thompson]: So pricing, big topic. Well actually before we go on to that, I know this isn't meant to be the format but it, at least it keeps everyone on their feet.

Has anyone got any specific questions on what, on the three topics we've discussed so far which is sort of strategy, diversification, growth capital specifically or global, how to manage a global organization in this kind of investment arena? Are there any specific, burning questions people have got now they want to ask?

No, then I'll move on to the next one.

Pricing, big topic, but we could, and we could spend about two hour, we could spend all day on pricing across the whole, the different asset classes. But as it relates to growth capital, what do you see as regards to pressures on pricing today and the opportunities that, that presents itself to you as a business and for your LPs?

[Robert V. Stefanowski]: The secondary market is brutal right now. I mean you look at some of the firms that are trying to place existing portfolios and the investors come in and want a guarantee, 2-x's their money or they're not going to come in. So, so trying to sell assets into this market is very difficult. The issue on investing in the primary and growth capital it's more of a supply and demand. You've got a lot of money moving into it. A lot of these funds are very, very large. If you look at the funds that TA and Summit are raising, these are multi-billion dollar funds. So the thing that you start to think about is there enough supply of middle market companies that are open for growth capital? And how do you source those? And you know the concern is if there just ends up being so much money chasing this asset class, does that bring prices up to a level that's not realistic? Again, we think we're pretty well positioned because we've got local people on all these markets. Our Beijing office is staffed with people from China, Americans in the U.S., Indians in India and everybody professes to have proprietary deal flow. I mean if you talk to any equity firm out there, they'll say that they don't do auctions and everybody does, obviously. But we do think we're well positioned to generate some proprietary deal flows, develop those relationships and not end up in an auction situation all the time.

[Kelvin Thompson]: And sector wise, if we take to complete our cube, so you've got geographies, strategy and now sectors, what's hot right now? What do you think is going to be hot in the next six months and where are you focusing your own investment of time as far as investigation and development is concerned?

[Robert V. Stefanowski]: Yeah healthcare's a big one. Obviously we've got a big investment in a clinical research outsourcer by the name of Quintiles. A lot of the big pharma companies don't have the money or don't have the inclination to spend all the money internally on R&D so they outsource it. We think healthcare is going to be a great space. Infrastructure, the interesting thing with infrastructure is, it's very big for us in India and Europe and we think it's going to be big in the U.S. but we're kind of waiting. You know you listen to Obama, and they talk about public partner, private partnerships, they talk about all this stimulus. We're not seeing that flow through to deals yet. So we're being cautious but we think two to three years out, that will be a big space for us. I personally like financial services. I spend the last fifteen years in it. When you look at the dislocation in those markets right now, it's the one area where you can get assets at a discount and also get seller financing. So in a certain way, you can avoid this, this crush in the debt markets if you can get XYZ bank to finance your purchase for you. There's also, as you guys you know, there's a firm out of federal money coming out to, to finance these deals. So that's something that we're looking at very closely.

[Kelvin Thompson]: Taking up your line as far as the government involvement and bailouts is concerned, what's your current view? How is 3i going to get involved as far as the U.S. is concerned or is thinking of getting involved? And do you think there are opportunities for U.S. funds to get involved with U.K. government bailouts, etc.?

[Robert V. Stefanowski]: Yeah, I think there's both and to be honest with you, probably better position in the U.K. to do it. 3i actually spun out of the government. It was created after WWII to stimulate the economy. So the ties to the government, they're a lot stronger than what we have in the U.S. You know the question on the U.S. money, is it's good that they're giving you the money but what strings are attached? So you're always a little bit leery as to, you know if it's too good to be true; usually it is and you see a lot of these banks now paying that money back. So you need to be sure that it fits your parameters and that it fits what you're trying to do. On the surface it looks very, very attractive. If you look at the, the TARP and the TALF, they're going to provide 90% leverage at LIBOR plus 2 to go buy distressed assets in the market. You can't get financing like that from the private sector right now. The question is if you go after that, what you know what's next? What else are you going to look at?

[Kelvin Thompson]: Okay so our stable, our stable economy is in the U.K. and the U.S. aside, let's deal with the emerging markets. I think some of the brick stuff came up early this morning. You guys have been in the emerging markets for a long, long time. In fact probably I've had those t-shirts more than anyone else. Where do you believe the key emerging market activity is going to be and where is the safest haven in the emerging markets for risk adverse investors if such a thing exists?

[Robert V. Stefanowski]: Well, it's a standard, a standard answer; India, China, Brazil. We are not in Brazil but we're very, very big in India and China. Again, we think it's critical to have local people. I've got a very strong person who's Indian that runs Asia for me. You know I go over as a U.S. person living in London meeting with a local – you know they don't want to talk to me. They want to talk to the local guys that are there that are on the ground. It's been a nice competitive advantage for us. The difficulty you run into is the different laws, the different customs. Again from an outsider coming in trying to figure that out in any reasonable time period is impossible. We see it in the infrastructure fund where our guys on the ground, they know who to call; they know how to structure it; they know what the legal issues are. They know infinitely more than I'll ever know about the local Indian market. So hopefully what I can do is help drive the strategy out of London, give them the resources they need. But again having the local people there is critical and some of these – you know you go to India it's just amazing the amount of construction that's going on there. There's just a very different feel from being in the U.S.

[Kelvin Thompson]: So to try to get that narrower, if I gave, if you only had one investment to do, which of the emerging market countries would you be investing in today?

[Robert V. Stefanowski]: I'm going to dodge that a little bit. I mean if you're talking short term, I think India's probably easier right now. It's a democracy. There's more capital coming in. I think longer term, when you look at the demographics, it's China. But very hard, a lot harder to do business and a lot of firms have failed going there. I remember when I was with GE and Mel's big phrase was '\$5 billion of revenue in China by 2005' and we said we got there. I'm not sure if you scratched underneath the surface whether we really did. But it's hard to get business done there when you're coming in there from the outside.

[Kelvin Thompson]: So I think from some of the presentations this morning, there'd be some disagreement in the room so just as a little exercise, same question to the audience. So you've got a choice between investing in India or China. Raise your hand if it's India. Raise your hand if it's China. Interesting and the rest of you aren't going to invest at all I presume.

[Robert V. Stefanowski]: I'm surprised that people think that today. I mean it's, it's different. There's a question?

[Question]: Is China and the currency [inaudible]? [Inaudible] should that help drive [inaudible]?

[Robert V. Stefanowski]: Yeah, if you're looking toward strength of currency, I agree with you. And again, I could be dead wrong on this. But it's just my experience that it's, it's and I guess the majority of the audience disagrees. You should probably have told me that before you got me up here. But I just think it's harder. I mean the language, the customs; they really don't want an outside, someone, anybody outside of China taking control; where in India you can structure around it if you're clever. But you're right. You know on the currency side. You know who knows? Maybe that will replace the dollar like they're talking about.

[Kelvin Thompson]: It may also be because you've been Anglo-sized. So if you ask that question in England, you'll get more for India.

[Robert V. Stefanowski]: Maybe. I just, it's more a GE experience than a 3i. I just saw how tough – you know we had the Olympics in Beijing and, and I remember NBC was telecasting it and for those of you – I was at the opening ceremonies and there that girl, that cute little girl that sang, it was the closing anthem or the middle anthem and none of the Chinese authorities told NBC that she was lip syncing and it was actually a girl who wasn't as cute behind the stage who was actually doing the singing. You know stuff like that is just hard culturally to realize that that's happening – the NBC guys said they didn't know about. Now whether they did or not is another story. But it's just that, it's a different place. It's not better or worse; it's just different.

[Kelvin Thompson]: Leadership trends, so we already discussed the fact, you spent many years at GE which where the people think is the, is the pinnacle of excellence of leadership or start criticizing it, whatever you do GE and leadership always come in the same sentence.

[Robert V. Stefanowski]: And stock price comes in the sentence now.

[Kelvin Thompson]: Exactly, someone objects to their antics. If you look across the different PE classes, now you've looked at them. I also when everyone comes to these conferences, everyone talks about the need to leadership in the firms but don't actually define it. From your, from what you've seen so far across the different spectrums, where do you think the biggest weaknesses as far as leadership is concerned and what are the key needs that you're addressing today across the portfolio within 3i?

[Robert V. Stefanowski]: Yeah, I think a couple places and GE certainly is very good at developing leaders. The frustrating part I found about GE is, it was so much leadership, it was less on tangible results. You know it was about giving a good presentation to Jaffe. It was about having a good strategy. It was about kind of the softer stuff. The refreshing part about private equity is to me is that it's very bottom-line. You know you could have two heads but if you're bringing a deal that makes three times as much money, everybody loves you. And some of these guys, you may not want them out in the crowd here but you put them behind an office with a closed door and they're smart. The counter to that I think is private equity from what I've seen is very transaction oriented. It's very much about the deal. It's very much about the current fund and I think personally somewhere in the middle is the right mix. You've got to be strategic. You know we're largely European focused. You look at the demographics, it's not in Europe. It's in Asia. So how do you balance that short term deal flow with where you want to be in five years? So I think GE is one end of the extreme; private equity may be the other and I think they need to converge a little bit because I don't you know to your point, the leadership in financial services – I mean a job like Citibank comes up and they should have fifty people that could fill that CEO role and they don't. So I don't think this industry has, has really focused on that.

[Kelvin Thompson]: Yep, the other observation which I think – that's okay, I don't work for public firms so I can say this. It's amazing the amount of private equity conferences that nearly everyone's male. Sorry to the females that are here and yet, Norway just – was it Norway that just announced a 40% of all board directors have to be female as of the beginning of this month? So there needs to be some pretty radical change in the sexual makeup as far the private equity groups is concerned if the final strategic exits are going to be to public companies, particularly if the rest follow the way of Norway. I think the Norway thing is absolutely phenomenal, even though they call them golden skirts which is quite disparaging.

If that's the trend – Norway normally does it to the extreme but people will follow along behind. So I think the, that piece in itself in terms of some of the diversification, some of the need for change in leadership is quite huge.

Last big question before we open it up to the audience further which is one of those classic, sort of interviewing questions but for those people here who are very interested in growth capital I'm sure will be interested which is, what are the top three priorities for growth capital to maximize return for your LPs over the next six months?

[Robert V. Stefanowski]: That question wasn't on the list.

[Kelvin Thompson]: I know.

[Robert V. Stefanowski]: Are you sure you don't have any other questions? Listen I don't know if I've got three but, but certainly one is you've got to effectively work well with management. If you're and I won't use names but if you're XYZ private equity fund and you come in with all the answers and here's how we do it and I've got a six thousand dollar suit on and let me tell you how this is going to work, I think you're destined to fail. I'm; one of the reasons I went to 3i is it's normal people and I think particularly in this growth capital, middle market area, the family-run businesses are very sensitive to that. They've got a lot of pride in these businesses; yes, they need capital to get it to the next level but they don't want somebody coming in and hiring a consultant firm day one and having to pay a half a million dollars for some study and my apologies to the consultants in the room. But you've just got to be sensitive to it.

So I think that's number one. I think having alignment and also evaluating the management team. In a growth capital scenario where you don't have to have control, you've really got to be pretty sure that this management team can do it for you. And if they can't, you need to be upfront about the fact that they can't because the last thing you want to do is get into a deal three months, go to the CEO who's worked with this CFO for twenty-five years and say, 'Listen Mr. CEO, I think we've got to change this guy out because he's not going to last in the public environment or he's not going to last for a bigger firm.' That would create a lot of tension. So you've got to be very clear about your expectations going in. You've got to assess that management team and I think you have to have a common view as to the tenor of your investment. We see it on the infrastructure side a lot. We raised a public vehicle in the U.K. It's a separately listed vehicle from 3i. It's got a billion dollar market cap that invests in infrastructure. That's a permanent funding vehicle. So when we go meet with XYZ town about a bridge or about a power plant, we can tell them, we don't have to exit in three years because they want long term capital. We have a permanent vehicle to do that.

So I think in a lot of cases, there's not enough discussion about whether the cultures mesh and whether the ultimately objectives of the investment are aligned. And that's where you run into problems.

[Kelvin Thompson]: Well, you've got your three points across even though you didn't prepare. Well, that's pretty good.

So any questions from the audience or does lunch beckon? No, we answered all...

[Robert V. Stefanowski]: Could I just say – I don't know if anybody's brave enough to answer but the ones that think China, other than the currency, why, why China over India? Anybody brave enough to ...

[Response]: [Inaudible].

[Robert V. Stefanowski]: The food? I came back from India; you know I spent a long weekend after eating the food unfortunately.

[Kelvin Thompson]: Ron has the answer.

[Robert V. Stefanowski]: Go ahead.

Private Equity | Industry Perspective

[Response]: I think it's the same reason why 3i made that investment in Little Sheep is who would have thought that you know a very low priced chain in China would have grown that fast. I think [inaudible].

[Response]: [Inaudible] very ambitious, very political situation whether you like it or not, there's another factor. [Inaudible] and they're a lot further down the path it seems like developing. There's been a lot of recorded lately about their best market [inaudible].

[Robert V. Stefanowski]: Interesting.

[Response]: [inaudible].

[Response]: Just one observation about China because people aren't aware that in a couple of years the number one English speaking country will be China.

[Robert V. Stefanowski]: Really?

[Response]: So you know your problems with language you know may start to go away.

[Robert V. Stefanowski]: That's a good point. I took a semester in Mandarin Chinese but when I found out that the same word with a different tone has a totally different meaning that was it for me.

[Response]: [Inaudible] made investments in both places and in India I was offered not only [inaudible] because China never happened.

[Robert V. Stefanowski]: Really, interesting.

[Response]: I was simply going to say [inaudible] I'll stand up and say it. I don't know if it's just, I don't know if there's a clear cut difference between India and China. I've been in an operating company and I can tell you that there's widespread corruption in China as well. And China might be more focused [inaudible]. But I think the rate of conversion from the poverty level to the working class into the middle class, therefore there's been some resistance [inaudible] is much, much higher at the present [inaudible] to increase even further in China in contrast.

[Robert V. Stefanowski]: Okay.

[Question]: Do the comments about knowing the management team is going to work out or not? That's so often stated. What's the real practical way of evaluating that? [Inaudible] what they say they'll do but [inaudible].

[Robert V. Stefanowski]: It's a very good question. I mean you know you go and you look at the financials; you hire an Ernst & Young. You look at the business strategy; you hire McKinsey or Bane.

You look at the operations, you hire PTR&G. And then you consistently say when we look at deals whether they succeed or not, the one fundamental factor is the strength of the management team And I don't know. Kelvin maybe you can comment because you're more into this but it doesn't seem like there's a ton of metrics around it. I remember before I went to 3i – I don't know if this is one the record I guess. But what the hell. I interviewed with Guy Hands and Terra Firma and he put me through a test, a personality test. You know I felt kind of foolish. You know I felt like my daughter going to take this test but I'll tell you in a twenty minute test, they come back and give you the feedback. They had nailed my personality you know 98% accurate. So I think it's an area where to your point, there's got to be more, there's got to be more metrics to help you independently do it rather than just going with your gut after having a dinner with the CFO and the CEO and you say, that that's a great woman or that's a great guy.

[Kelvin Thompson]: I can ask a question. There is, there's much science on interviewing and there's much art and combine the two together and actually the best firms use both. They don't rely on one or the other but they use both and take the input. Experience across the private equity piece, across the private equity world and sorry for insulting any of you who one day I'll try and pitch you for clients but most of you are absolutely appalling at it because you actually don't put people through the processes. They're neither interviewed. People aren't interviewed to find out what their, you know how they make decisions in the past and what they've actually done. They're not put through testing in any shape or form and not enough time is spent actually observing them in their, in their role as far as leaders and managers are concerned which is the way that more sophisticated assessment is done. And it's one of the reasons why a lot of people get surprised sort of three to six months in and the best firms do spend an awful amount of time specifically on that and often have a number of partners internally and that's what they spend their time doing.

So, so there are ways and means to do it. If anyone has any interest of course I'll be delighted to assist you, as they say.

[Robert V. Stefanowski]: That's why Guy Hands didn't hire me. He realized that I was a nut after that personality test. So it worked; it screened me right out. 3i didn't do one.

[Kelvin Thompson]: Perfect.

[Robert V. Stefanowski]: So I slipped in the back door.

[Kelvin Thompson]: But I do agree with your comment. I go to these conferences and everyone talks about the needs to operational management team and then and.....so, what are people actually doing? And it's the same thing at the next conference and I do think actually and it's not a matter of listening to just the science because what you actually need to do is look at case studies and how it's done, what's done and what the best way to do it and actually train all your executives. You should be training all of your partners across the place to understand how to do it because it can't be done by one person obviously. It needs to be on across the piece purpose.

Anyway, I think that's it. Right.

[End of Transcription]

<p>Fixed Income</p> <p>Pages 3 to 21</p> <p><u>On Cue, U.S. Nonfinancial Credit Quality Has Bottomed Out, but is the Recovery Following the Script? (3-11)</u></p> <p>By Standard & Poor's Global Fixed Income Research</p> <p><u>S&P Composite Spreads (12)</u></p> <p><u>Is Company UK Positioned for a Rebound? (14-20)</u></p> <p>S&P's Market, Credit and Risk Strategies Group</p> <p><u>Accessing Fixed Income Information in Capital IQ (21)</u></p>	<p>Equities</p> <p>Pages 36 to 54</p> <p><u>Setting up for a September Setback? (36-37)</u></p> <p>By Sam Stovall, Chief Investment Strategist, Standard & Poor's</p> <p><u>Higher Hurdle (38-40)</u></p> <p>By Alec Young, International Equity Strategist, Standard & Poor's</p> <p><u>Sector Snapshots (41-50):</u></p> <ul style="list-style-type: none"> Consumer Discretionary Consumer Staples Energy Financials Healthcare Industrials Information Technology Materials Telecommunication Services Utilities <p><u>Introducing Capital IQ Estimates (51)</u></p> <p><u>Schedule of Upcoming Capital IQ Training Webinars (52)</u></p> <p><u>Free Capital IQ Access For Clients in Between Jobs (53)</u></p>	<p>M&A / Private Capital</p> <p>Pages 56 to 66</p> <p><u>Aggregate Transaction Stats (56-66):</u></p> <ul style="list-style-type: none"> Mergers & Acquisitions Activity by Quarter M&A Valuation by Quarter (North America) M&A Valuation by Quarter (Europe) M&A Valuation by Sector (North America) M&A Valuation by Sector (Europe) M&A by Sector Leveraged Buyouts by Sector Strategic M&A by Sector Private Equity by Sector (Non-Buyouts) PIPEs by Sector Venture Capital by Sector
<p>Industry Perspective</p> <p>Pages 24 to 33</p>		
<p><u>3i Group's Perspective on Growth Capital (24- 33)</u></p> <p>Transcript of an interview of Robert V. Stefanowski (Chairman and Managing Partner at 3i North America, 3i Asia, and 3i Group plc) by Kelvin Thompson, Managing Partner at MontaRosa LLC at the Argyle Executive Forum's 2009 Leadership in the Private Sector event.</p>		

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Setting Up for a September Set-Back?

Equities | US

By Sam Stovall, Chief Investment Strategist, Standard & Poor's
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The S&P 500's price advance continues to confound many investors, as it rose 4.2% month to date through August 28 and 52.1% since the March 9 bear-market bottom, while suffering through only a 7% price decline from mid-June through mid-July. While this kind of performance is atypical in August during average years -- since 1929, the S&P 500's price change in August ranked in the bottom half of all months -- it has been relatively common following bear market bottoms. What's more, nine of 10 sectors and 112 (84%) of the sub-industries in the S&P 500 rose in August -- 31 of them gained more than 10% during the month -- pointing to the encouraging breadth of this advance. Finally, even though the S&P 500 typically posted its worst performance in the third quarter, the S&P 500 rose 11.9% quarter to date on strong performances in both July and August. With one more month to go, however, many investors are wondering if September will live up to its reputation as the month in which the S&P posts its worst price performance and frequency of decline.

Investors may have a reason to fear a set-back in September. No matter if you look back to 1990, 1970, 1945 or 1929, the S&P 500 posted its worst monthly performance in September, losing 1.3% on average since 1929 versus an average monthly advance of 0.54%. What's more, the "500" has declined an average 56% of the time, versus only 42% for all months, making September the worst month for frequencies of declines.

Monthly S&P 500 Price Performances 12/31/29-8/21/09													
Average Monthly Price Changes													
	All Mos.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Since '29	0.54%	1.3%	-0.3%	0.3%	1.3%	-0.1%	0.9%	1.5%	0.8%	-1.3%	0.2%	0.4%	1.4%
Since '45	0.65%	1.1%	-0.4%	1.1%	1.6%	0.5%	0.1%	0.8%	0.1%	-0.8%	0.8%	1.2%	1.7%
Since '70	0.61%	1.1%	-0.2%	1.0%	1.3%	0.8%	0.3%	0.2%	0.4%	-1.0%	0.5%	1.2%	1.7%
Since '90	0.55%	-0.1%	-0.7%	1.1%	1.8%	1.9%	-0.4%	0.4%	-0.6%	-1.0%	1.1%	1.4%	1.8%
Rank since 1929:		4	11	8	3	10	5	1	6	12	9	7	2
Average Monthly Frequencies of Decline													
	All Mos.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Since '29	42%	36%	49%	40%	40%	43%	43%	44%	40%	56%	43%	43%	28%
Since '45	41%	37%	51%	35%	32%	42%	48%	48%	43%	56%	39%	36%	23%
Since '70	41%	40%	48%	35%	35%	40%	43%	58%	40%	56%	44%	33%	26%
Since '90	38%	40%	45%	35%	30%	25%	45%	55%	40%	53%	32%	32%	21%

Source: Standard & Poor's Equity Research. Past performance is no guarantee of future results.

Setting Up for a September Set-Back?

Equities | US

But as we all know, past performance is no guarantee of future results, particularly if you dig a little bit deeper. During the 14 Septembers immediately following the end of bear markets since 1932, instead of posting the average 1.3% decline, the S&P 500 gained a median 2.0%. What's more, the frequency of declines – at 36% following the end of bear markets – was substantially better than the average 56% for all years. Unlike August performances following bear market bottoms, however, which saw the S&P 500 rise in 12 of 14 observations, the market's performance in Septembers following the end of bear markets was less consistent, as it posted five declines from 1.2% to 4.8%. As a result, September's track record leaves room for disappointment. So while the average percent change and frequency of advance results are more encouraging for the S&P 500 during Septembers following bear market bottoms, it is a worthy reminder that history is a great guide, but never gospel.

S&P's Investment Policy Committee believes the equity markets are due for a period of consolidation. Mark Arbeter, S&P's Chief Technical Strategist, believes the "500" could decline to the 940-960 level before resuming its advance and establishing a new recovery high. Also, S&P Economics believes "Recovery" can be spelled without a "V," as they are looking for the U.S. economy to trace out more of a "lazy U" expansion over the coming quarters. Finally, S&P 500 valuations appear a bit steep to us, as the "500" is trading at 19.0X 2009E operating results with five of the 10 sectors sporting P/Es of 20 or higher. Financials are the most expensive at 86X '09 estimates, while Materials is second at 35X '09 estimates. We don't know whether concerns over the upcoming Q3 earnings reporting season will trigger this anticipated digestion of gains, or if further nervousness emanating from the Chinese stock market over the prospects of a slower-than-expected growth in GDP will cause U.S. equities to trim some of its recent advances, but September is as good a month as any in which to suffer a setback. And while past performance is no guarantee of future results, history hints that September certainly has the reputation.

By Alec Young, International Equity Strategist, Standard & Poor's

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Low expectations have been the single biggest catalyst in fueling the 61% (in USD) international equity rally since March 9, by our analysis. With investors bracing for the worst, overseas economic data and first-half EPS releases have easily topped depressed consensus expectations, reinforcing the view that the global economy is on the mend. This has paved the way for significant international P/E expansion as investors anticipate rising EPS leverage amid a gradually recovering global economy, in our view.

However, the downside of months of exceeding low consensus expectations is that future forecasts go up. As such, low expectations are a luxury that investors no longer enjoy as the EPS bar has skyrocketed. Specifically, 2010 international consensus EPS growth expectations have soared to 27.2% from a mere 1.5% in January as analysts have positively reassessed the earnings prospects of every major foreign geographic region in the world (see chart 1). This reflects broad-based expectations that the world economy will rebound from a front-end loaded 2.6% real GDP decline in 2009 to a 2% increase in 2010 with the recovery trajectory steepening sharply in the fourth quarter of 2009 (see chart 2).

Chart 1: Great Expectations
(2010 Consensus EPS Growth)

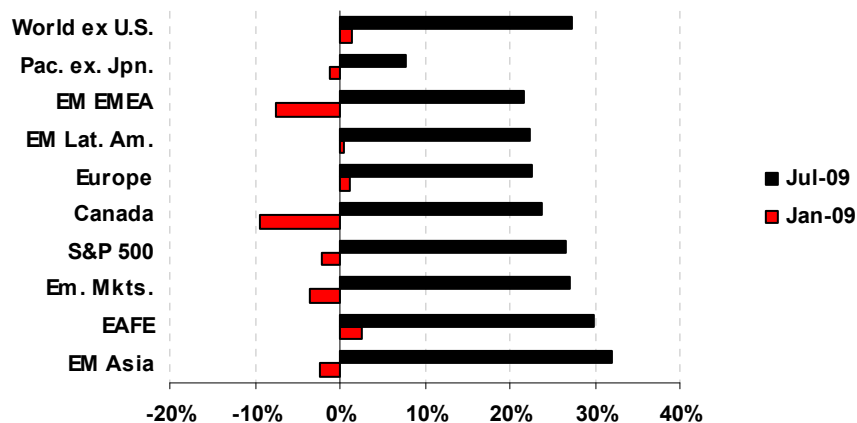
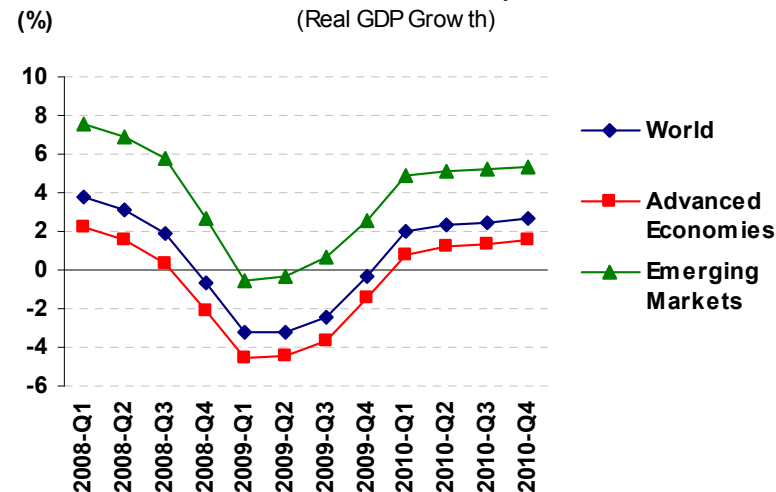


Chart 2: A Lot to Live Up To
(Real GDP Growth)



In addition, from a valuation perspective, while 2010 P/E multiples remain reasonable (see chart 3 below), in our view, future P/E expansion is likely to be more gradual as we think 2010 EPS visibility remains very limited. Given that low forward multiples are predicated on a major 2010 profit rebound, we think investors will proceed cautiously in expanding valuations further, at least until it becomes clearer that lofty 2010 consensus EPS expectations are achievable. This is likely to lead to a slower pace of ascent through year-end that is characterized by increasing choppiness.

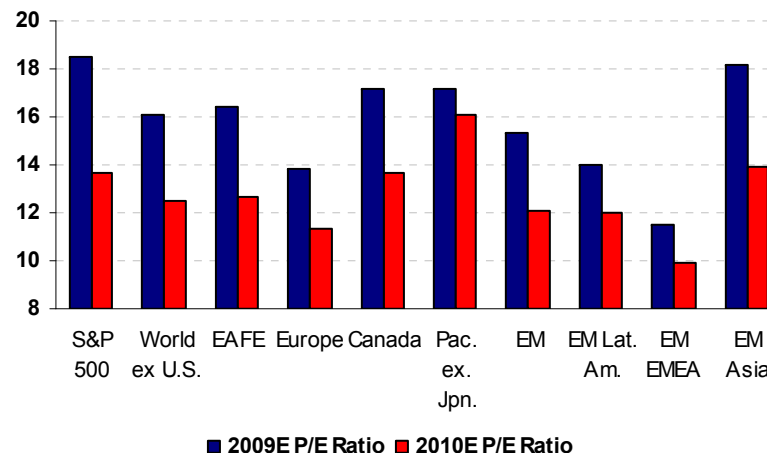
Lastly, from a sentiment standpoint, global equity volatility has fallen back in line with October, 2007 levels, the month global stock markets peaked (see chart 4 on following page). We believe this reflects increasing investor complacency and raises the likelihood of more muted gains through year-end as an increasingly optimistic consensus becomes harder and harder to impress, in our view.

Stay Overweight Emerging Markets – Seen as Most Reliable Growth at the Lowest Price

We continue to favor EM equities within the international space, with a regional preference for Asia and Latin America over Emerging Europe, the Middle East & Africa (EM EMEA). At the country level, we continue to favor Brazil. Year-to-date, EM equities are up 48.2% versus a much smaller 16.6% increase for developed overseas markets (see table 1 on following page). S&P Equity Strategy believes alpha drivers include faster, more reliable economic growth (see chart 2) thanks to superior EM domestic momentum at a time of weakening external demand. This combined with lower valuations (see chart 3) has fueled the strong outperformance, in our view.

Index	2009E P/E Ratio	2010E P/E Ratio
S&P 500	18.5	13.7
World ex U.S.	16.1	12.5
EAFE	16.4	12.7
Europe	13.8	11.3
Canada	17.2	13.7
Pac. ex. Jpn.	17.2	16.1
EM	15.3	12.1
EM Lat. Am.	14.0	12.0
EM EMEA	11.5	9.9
EM Asia	18.2	13.9

Chart 3: While Forward Multiples Are Reasonable, 2010 P/E Expansion is Likely to be Gradual as 2010 EPS Visibility Remains Limited



Source: S&P Equity Research, S&P Index Services, Thomson One Analytics, MSCI

Chart 4: Equity Volatility Back In Line With 10/07 (mkt. peak)
Levels

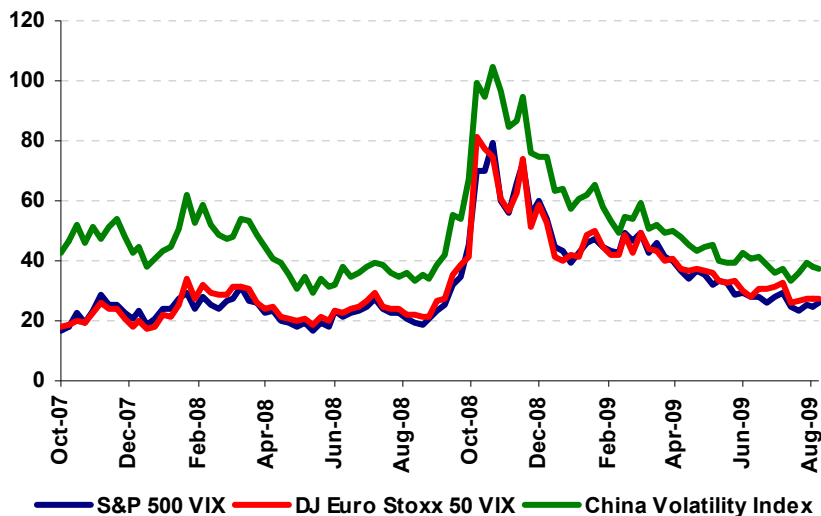


Table 1:

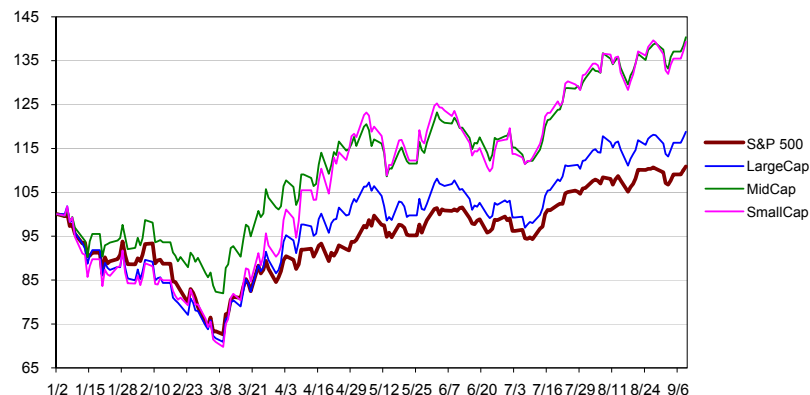
ASSET CLASS	MTD	3Mo.	YTD	1 Yr	3 Yr	5 Yr	10 Yr
BRIC	-0.1%	6.7%	59.2%	-15.1%	6.5%	22.1%	13.1%
EMERGING MKTS.	-0.5%	8.7%	48.2%	-14.5%	3.0%	14.8%	7.9%
EM ASIA	-2.2%	9.2%	47.8%	-8.5%	4.4%	13.2%	4.9%
EM EMEA	-0.5%	5.2%	36.4%	-27.7%	-6.1%	10.3%	7.6%
EM LATIN AMERICA	4.2%	10.6%	62.1%	-13.3%	11.3%	25.4%	15.0%
EAFE	1.2%	9.5%	16.6%	-22.3%	-7.6%	2.8%	-0.1%
COUNTRY	MTD	3Mo.	YTD	1 Yr	3 Yr	5 Yr	10 Yr
CHINA	-1.8%	12.7%	47.0%	4.8%	17.0%	22.9%	4.9%
INDIA	-4.4%	1.3%	62.7%	-14.1%	8.5%	21.6%	12.2%
KOREA	-1.9%	15.1%	43.3%	-16.9%	-2.7%	12.0%	6.5%
TAIWAN	-3.2%	-1.5%	44.3%	-15.9%	-3.0%	2.8%	-2.7%
BRAZIL	4.4%	8.7%	76.3%	-13.9%	16.2%	31.4%	18.2%
CHILE	-0.1%	7.8%	53.9%	2.6%	14.0%	17.0%	10.1%
COLOMBIA	1.9%	21.1%	52.9%	10.2%	12.3%	36.4%	27.5%
MEXICO	5.5%	17.2%	34.5%	-17.9%	1.4%	17.6%	12.3%
PERU	1.9%	9.5%	38.9%	6.3%	20.8%	27.3%	19.6%
CZECH REPUBLIC	2.2%	25.0%	30.2%	-26.1%	8.5%	25.4%	21.1%
HUNGARY	4.7%	28.1%	45.1%	-35.9%	-6.7%	6.1%	8.0%
ISRAEL	-2.4%	10.5%	32.5%	-3.4%	10.3%	12.3%	7.8%
POLAND	-3.1%	26.4%	13.4%	-43.6%	-10.1%	8.3%	3.8%
RUSSIA	0.1%	-7.9%	54.2%	-47.8%	-19.7%	7.3%	16.8%
TURKEY	0.8%	28.2%	62.3%	-17.1%	2.2%	15.3%	8.3%
SOUTH AFRICA	-0.7%	5.4%	29.3%	-4.4%	0.9%	12.3%	9.4%

** Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is no indication of future results.

Consumer Discretionary Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Consumer Discretionary



LTM Transaction Activities: Consumer Discretionary

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	2,338	\$169,580	2,842	\$337,185	2,326	\$61,445	1,627	\$57,311
LBO	339	\$58,593	447	\$205,206	421	\$17,699	274	\$6,297
Strategic M&A	1,999	\$110,987	2,395	\$131,979	1,905	\$43,746	1,353	\$51,014
Non-LBO PE	33	\$774	43	\$2,146	31	\$406	72	\$1,838
PIPEs	273	\$4,325	305	\$8,994	262	\$5,517	167	\$45,548
Venture Capital	211	\$2,232	283	\$2,921	304	\$3,554	254	\$1,666
(M&A only)	2006		2007		2008		2009	
Median Deal	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >
Multiples	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M
TEV/EBITDA	9.7x	11.3x	9.9x	12.2x	11.4x	8.3x	6.1x	12.2x
Equity/LTM NI	19.3x	29.2x	15.8x	25.9x	14.5x	22.3x	6.3x	21.0x

Distribution of Stocks by YTD % Returns and Industry: Consumer Discretionary

Industry	2009 Stock Price Performance										Total (\$ mil)			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Advertising	-	-	-	-	-	3	2	2	1	2	10	\$23,414	-\$3,025	N/M
Apparel Retail	-	-	-	1	1	3	5	6	8	15	39	\$82,149	\$2,463	33.3x
Apparel, Accessories and Luxury Goods	-	-	-	-	1	2	5	4	4	8	24	\$46,951	\$265	177.0x
Auto Parts and Equipment	-	-	-	-	-	2	2	4	2	9	19	\$34,056	-\$6,278	N/M
Automobile Manufacturers	-	-	-	-	-	-	-	-	-	3	3	\$25,647	-\$5,260	N/M
Automotive Retail	-	-	-	-	-	2	2	-	1	8	13	\$29,275	-\$1,468	N/M
Broadcasting	-	-	-	-	-	1	-	2	-	3	6	\$29,731	-\$12,098	N/M
Cable and Satellite	-	-	-	1	-	2	1	5	2	2	13	\$135,738	-\$11,033	N/M
Casinos and Gaming	-	-	-	1	2	1	1	2	2	6	15	\$44,803	-\$2,253	N/M
Computer and Electronics Retail	-	-	-	-	-	3	1	2	-	1	7	\$25,885	\$1,816	14.3x
Department Stores	-	-	-	-	-	-	-	4	1	2	7	\$47,171	-\$3,773	N/M
Education Services	-	-	-	-	6	4	2	1	1	1	15	\$32,160	\$1,580	20.4x
Footwear	-	-	-	1	2	2	2	-	2	1	10	\$33,649	\$1,547	21.7x
General Merchandise Stores	-	-	-	-	-	3	2	-	1	-	6	\$47,661	\$2,843	16.8x
Home Improvement Retail	-	-	-	-	1	2	-	-	-	1	4	\$86,222	\$4,714	18.3x
Homebuilding	-	-	-	-	-	3	1	3	-	5	12	\$24,889	-\$7,132	N/M
Hotels, Resorts and Cruise Lines	-	-	-	1	1	-	3	1	2	5	13	\$55,983	\$2,022	27.7x
Internet Retail	-	-	-	-	-	3	-	2	2	4	11	\$54,930	-\$3,193	N/M
Movies and Entertainment	-	-	-	-	1	2	8	1	2	2	16	\$145,469	-\$13,170	N/M
Publishing	-	-	-	-	3	4	1	1	3	3	15	\$26,494	-\$3,881	N/M
Restaurants	-	-	-	1	4	7	6	6	1	5	30	\$123,633	\$6,715	18.4x
Specialized Consumer Services	-	-	-	1	2	2	2	3	1	1	12	\$17,880	\$1,068	16.7x
Specialty Stores	-	-	-	-	-	2	4	1	4	3	14	\$36,056	-\$1,080	N/M

Notes

YTD relative performance chart is based on S&P equity indices as of 9/10/09.

Transaction activities data is as of 8/31/09 and include both US and Canadian targets.

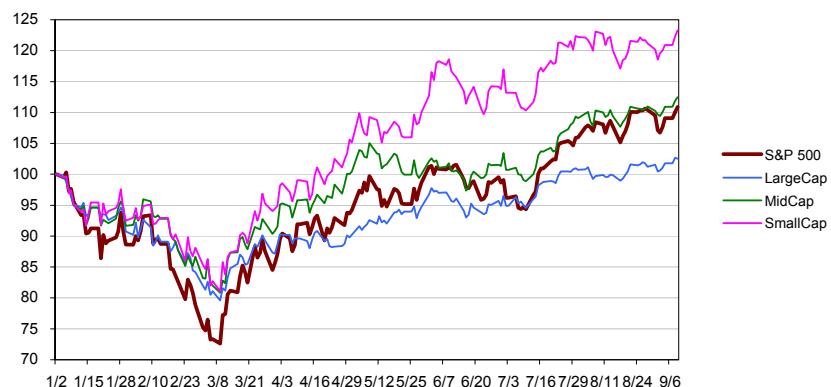
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Consumer Staples Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Consumer Staples



LTM Transaction Activities: Consumer Staples

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$(mil)	#	\$(mil)	#	\$(mil)	#	\$(mil)
All M&A	396	\$48,102	479	\$43,857	395	\$112,149	318	\$38,228
LBO	48	\$2,229	80	\$13,944	62	\$1,085	48	\$2,182
Strategic M&A	348	\$45,872	399	\$29,913	333	\$111,064	270	\$36,045
Non-LBO PE	6	\$61	11	\$100	4	\$98	22	\$208
PIPEs	74	\$811	98	\$3,548	90	\$451	57	\$1,436
Venture Capital	972	\$23	102	\$45	274	\$58	671	\$40
(M&A only)	2006		2007		2008		2009	
Median Deal Multiples	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M
TEV/EBITDA	8.5x	13.6x	10.5x	10.9x	7.4x	11.0x	7.5x	8.7x
Equity/LTM NI	21.1x	28.0x	22.9x	25.8x	8.5x	24.0x	19.3x	19.2x

Distribution of Stocks by YTD % Returns and Industry: Consumer Staples

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Agricultural Products	-	-	-	-	1	2	2	-	-	-	5	\$31,669	\$2,002	15.8x
Brewers	-	-	-	-	-	1	1	-	1	-	3	\$56,010	\$2,468	22.7x
Distillers and Vintners	-	-	-	-	2	-	-	-	1	-	3	\$11,932	\$208	57.4x
Drug Retail	-	-	-	-	-	-	3	-	-	1	4	\$88,679	\$2,559	34.7x
Food Distributors	-	-	1	1	-	1	-	1	-	1	5	\$17,618	\$1,190	14.8x
Food Retail	-	-	-	1	7	3	1	-	-	1	13	\$36,283	-\$319	N/M
Household Products	-	-	-	-	3	3	1	-	-	1	8	\$234,730	\$15,958	14.7x
Hypermarkets and Super Centers	-	-	-	-	2	2	-	-	-	-	4	\$224,424	\$14,598	15.4x
Packaged Foods and Meats	-	-	-	-	8	15	5	5	3	3	39	\$180,338	\$9,290	19.4x
Personal Products	-	-	-	2	4	2	2	2	1	4	17	\$41,540	\$1,831	22.7x
Soft Drinks	-	-	-	1	1	5	1	1	3	-	12	\$250,258	\$11,258	22.2x
Tobacco	-	-	-	-	-	3	3	1	-	-	7	\$157,815	\$11,803	13.4x

Notes

YTD relative performance chart is based on S&P equity indices as of 9/10/09.

Transaction activities data is as of 8/31/09 and include both US and Canadian targets.

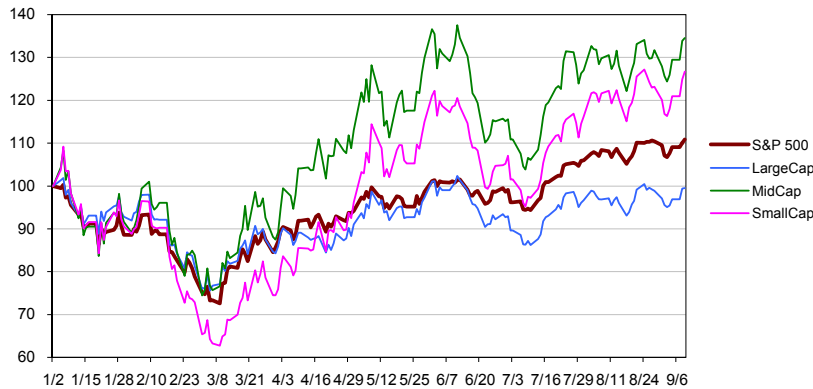
Distribution of stocks by industry includes only US-exchange traded equities above \$250MM in market cap as of 9/10/09.

Definition of 'Earnings' is aggregate LTM net income to common excluding extra items. 'P/E' equals total aggregate industry market capitalization divided by LTM net income.

Energy Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Energy



LTM Transaction Activities: Energy

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	892	\$194,708	907	\$160,827	757	\$104,860	727	\$67,657
LBO	27	\$36,185	54	\$13,447	47	\$12,009	25	\$1,148
Strategic M&A	865	\$158,524	853	\$147,380	710	\$92,852	702	\$66,509
Non-LBO PE	24	\$1,245	21	\$2,276	18	\$1,366	23	\$1,079
PIPEs	888	\$12,194	821	\$22,024	638	\$9,576	393	\$4,555
Venture Capital	114	\$3,936	110	\$3,999	107	\$5,081	56	\$2,123
(M&A only)	2006		2007		2008		2009	
Median Deal Multiples	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M
TEV/EBITDA	7.8x	10.0x	6.5x	10.2x	6.9x	10.8x	5.4x	7.1x
Equity/LTM NI	19.3x	29.2x	15.8x	25.9x	14.5x	22.3x	6.3x	21.0x

Distribution of Stocks by YTD % Returns and Industry: Energy

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Coal and Consumable Fuels	-	-	-	-	-	4	4	4	-	2	14	\$32,444	\$2,580	12.6x
Integrated Oil and Gas	-	-	-	-	4	1	4	-	-	1	10	\$663,255	\$31,343	21.2x
Oil and Gas Drilling	-	-	-	-	-	2	4	4	4	1	15	\$77,199	\$8,410	9.2x
Oil and Gas Equipment and Services	-	-	1	1	3	6	11	3	6	9	40	\$190,985	\$11,054	17.3x
Oil and Gas Exploration and Production	-	-	3	6	10	6	12	18	2	15	72	\$277,032	-\$21,114	N/M
Oil and Gas Refining and Marketing	-	-	-	2	1	3	3	1	1	3	14	\$26,110	-\$190	N/M
Oil and Gas Storage and Transportation	-	-	-	4	3	7	12	6	13	9	54	\$141,820	\$6,151	23.1x

Notes

YTD relative performance chart is based on S&P equity indices as of 9/10/09.

Transaction activities data is as of 8/31/09 and include both US and Canadian targets.

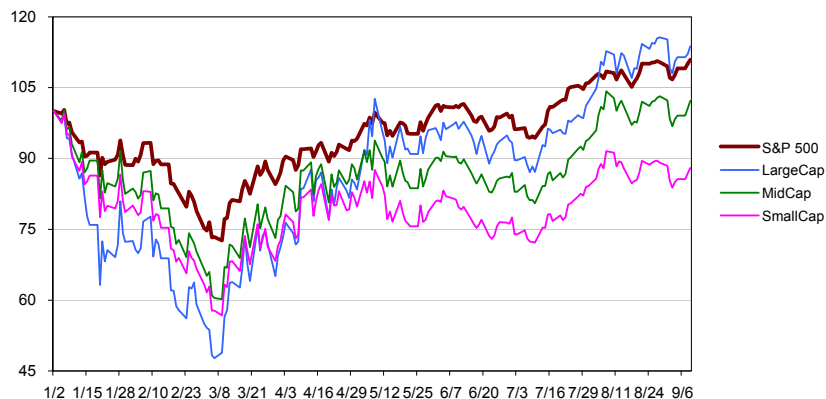
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Financials Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Financials



LTM Transaction Activities: Financials

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$(mil)	#	\$(mil)	#	\$(mil)	#	\$(mil)
All M&A	1,328	\$252,100	1,519	\$354,321	1,499	\$140,832	2,028	\$155,059
LBO	79	\$29,835	98	\$105,219	107	\$9,575	192	\$16,920
Strategic M&A	1,249	\$222,265	1,421	\$249,102	1,392	\$131,257	1,836	\$138,139
Non-LBO PE	28	\$1,117	65	\$7,427	43	\$4,331	361	\$20,978
PIPEs	292	\$13,963	316	\$29,139	260	\$70,987	640	\$402,724
Venture Capital	80	\$3,879	126	\$3,745	109	\$5,558	94	\$3,612
(M&A only)	2006		2007		2008		2009	
Median Deal	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >
Multiples	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M
TEV/EBITDA	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Equity/LTM NI	23.2x	23.0x	23.2x	25.6x	18.0x	22.6x	24.5x	7.5x

Distribution of Stocks by YTD % Returns and Industry: Financials

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Asset Management and Custody Banks	-	-	-	2	2	25	13	5	5	4	56	\$205,026	-\$5,750	N/M
Consumer Finance	-	-	-	-	3	3	2	1	1	6	16	\$77,985	\$622	125.3x
Diversified Banks	-	-	-	-	3	-	1	1	-	1	6	\$181,922	\$5,453	33.4x
Diversified Real Estate Activities	-	-	-	-	-	1	2	-	-	-	3	\$8,691	\$631	13.8x
Diversified REITs	-	-	1	-	3	2	-	1	-	-	7	\$18,478	\$128	144.7x
Industrial REITs	-	-	-	-	2	3	-	-	-	1	6	\$11,187	-\$642	N/M
Insurance Brokers	-	1	-	-	4	1	1	-	-	2	9	\$35,432	\$885	40.0x
Investment Banking and Brokerage	-	-	-	1	1	5	8	2	2	6	25	\$185,893	\$4,187	44.4x
Life and Health Insurance	-	-	-	2	7	4	3	1	1	-	18	\$107,131	\$155	689.7x
Mortgage REITs	-	-	-	-	1	5	3	-	-	2	11	\$21,357	-\$714	N/M
Multi-line Insurance	-	-	-	-	2	4	2	1	-	1	10	\$45,147	-\$96,872	N/M
Multi-Sector Holdings	-	-	-	-	1	-	3	-	-	-	4	\$7,438	-\$2,431	N/M
Office REITs	-	-	-	-	5	7	3	1	-	1	17	\$35,604	\$254	140.0x
Other Diversified Financial Services	-	-	-	-	1	-	1	-	-	-	3	\$368,826	-\$18,837	N/M
Property and Casualty Insurance	-	-	3	3	23	15	4	2	1	1	52	\$319,289	-\$5,173	N/M
Real Estate Services	-	-	-	-	-	-	-	-	1	3	4	\$7,202	-\$1,062	N/M
Regional Banks	-	5	20	32	29	6	7	1	-	2	102	\$157,396	-\$17,656	N/M
Reinsurance	-	-	-	-	5	8	1	1	-	1	16	\$39,253	\$1,803	21.8x
Residential REITs	-	-	-	-	4	7	3	-	-	-	14	\$29,320	-\$44	N/M
Retail REITs	-	-	-	3	8	5	3	1	1	-	21	\$50,910	\$658	77.4x
Specialized Finance	-	1	1	-	1	4	3	1	2	1	14	\$49,866	-\$2,118	N/M
Specialized REITs	-	-	-	-	6	11	6	1	-	1	25	\$65,672	\$2,295	28.6x
Thriffs and Mortgage Finance	-	-	-	9	14	4	-	-	-	5	32	\$42,039	-\$153,457	N/M

Notes

YTD relative performance chart is based on S&P equity indices as of 9/10/09.

Transaction activities data is as of 8/31/09 and include both US and Canadian targets.

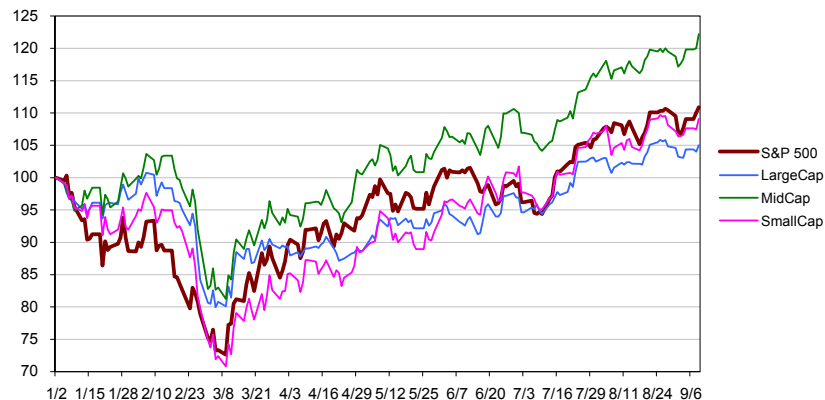
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Healthcare Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Healthcare



LTM Transaction Activities: Healthcare

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	1,035	\$154,378	1,154	\$185,214	1,058	\$145,084	818	\$178,155
LBO	95	\$47,725	124	\$40,999	100	\$11,442	60	\$706
Strategic M&A	940	\$106,654	1,030	\$144,215	958	\$133,642	758	\$177,449
Non-LBO PE	53	\$601	65	\$2,169	81	\$1,494	178	\$1,779
PIPEs	568	\$24,675	620	\$12,817	481	\$7,657	445	\$3,747
Venture Capital	645	\$7,986	702	\$8,991	727	\$8,450	632	\$5,891
(M&A only)	2006		2007		2008		2009	
Median Deal	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >
Multiples	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M
TEV/EBITDA	11.9x	17.2x	15.4x	16.8x	15.2x	14.7x	7.9x	11.4x
Equity/LTM NI	26.1x	31.8x	23.8x	43.5x	19.6x	37.2x	17.8x	22.5x

Distribution of Stocks by YTD % Returns and Industry: Healthcare

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Biotechnology	-	1	2	3	16	10	7	8	5	23	75	\$226,309	\$5,012	45.1x
Health Care Technology	-	-	-	-	3	2	3	2	2	2	14	\$20,076	\$790	25.4x
Healthcare Distributors	-	-	-	1	-	2	2	4	-	-	9	\$43,802	\$3,182	13.8x
Healthcare Equipment	-	-	1	2	11	12	16	6	3	7	58	\$259,487	\$6,748	38.5x
Healthcare Facilities	-	-	-	1	5	3	1	2	-	5	17	\$22,166	\$1,394	15.9x
Healthcare Services	-	-	-	3	6	8	7	3	1	3	31	\$91,565	\$4,501	20.3x
Healthcare Supplies	-	-	-	1	2	4	3	2	1	1	14	\$58,037	\$2,860	20.3x
Life Sciences Tools and Services	-	1	-	2	2	1	10	4	-	3	23	\$72,071	\$1,679	42.9x
Managed Healthcare	-	-	-	1	3	5	1	2	1	2	15	\$97,455	\$9,537	10.2x
Pharmaceuticals	-	-	-	4	8	9	6	7	5	3	42	\$720,875	\$42,196	17.1x

Notes

YTD relative performance chart is based on S&P equity indices as of 9/10/09.

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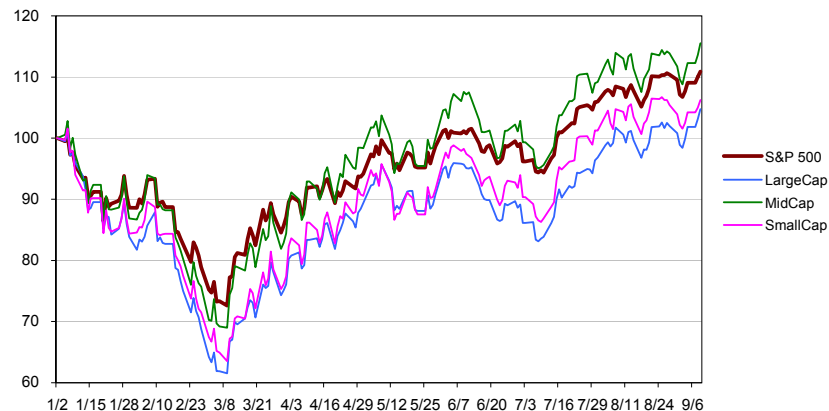
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Industrials Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Industrials



LTM Transaction Activities: Industrials

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	1,973	\$78,549	2,266	\$136,377	2,107	\$106,551	1,419	\$20,409
LBO	260	\$32,762	364	\$42,078	270	\$13,235	174	\$1,921
Strategic M&A	1,713	\$45,788	1,902	\$94,299	1,837	\$93,316	1,245	\$18,489
Non-LBO PE	34	\$905	46	\$994	44	\$1,168	82	\$1,334
PIPEs	375	\$4,493	384	\$4,682	319	\$3,216	217	\$6,560
Venture Capital	170	\$2,637	212	\$2,240	259	\$3,576	212	\$2,044
(M&A only)	2006		2007		2008		2009	
Median Deal Multiples	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M
TEV/EBITDA	9.0x	9.5x	7.5x	12.0x	9.1x	11.4x	7.1x	12.6x
Equity/LTM NI	13.8x	22.4x	16.7x	26.3x	11.3x	21.0x	14.2x	16.2x

Distribution of Stocks by YTD % Returns and Industry: Industrials

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Aerospace and Defense	-	-	-	4	11	11	5	3	2	2	38	\$284,622	\$20,423	13.9x
Air Freight and Logistics	-	-	-	-	2	5	1	-	-	-	8	\$97,871	\$2,940	33.3x
Airlines	-	-	1	3	6	1	2	1	-	-	14	\$24,883	-\$8,359	N/M
Airport Services	-	-	-	-	-	1	-	-	-	1	2	\$1,553	-\$198	N/M
Building Products	-	-	-	-	2	6	3	3	-	1	15	\$18,739	-\$1,727	N/M
Commercial Printing	-	-	-	-	-	2	4	-	-	-	6	\$6,080	-\$673	N/M
Construction and Engineering	-	-	-	2	7	5	3	3	2	2	24	\$48,629	\$3,228	15.1x
Construction and Farm Machinery	-	-	-	1	6	7	3	-	4	3	24	\$102,010	\$2,400	42.5x
Diversified Support Services	-	-	-	1	1	5	3	1	-	1	12	\$19,782	\$485	40.8x
Electrical Components and Equipment	-	-	2	1	6	8	8	2	3	9	39	\$97,212	\$4,276	22.7x
Environmental and Facilities Services	-	-	-	1	8	4	-	1	-	1	15	\$42,487	\$1,993	21.3x
Heavy Electrical Equipment	-	-	-	-	-	-	-	1	-	3	4	\$1,856	-\$10	N/M
Human Resource and Employment Serv	-	-	-	-	2	3	2	5	-	2	14	\$17,210	-\$297	N/M
Industrial Conglomerates	-	-	-	-	3	2	2	2	1	1	11	\$244,261	\$14,981	16.3x
Industrial Machinery	-	-	1	3	7	17	10	5	2	6	51	\$133,776	\$1,593	84.0x
Marine	-	-	1	1	2	3	2	3	1	-	13	\$9,970	-\$241	N/M
Marine Ports and Services	-	-	-	-	-	-	1	-	-	-	1	\$964	\$43	22.3x
Office Services and Supplies	-	-	-	-	2	4	3	2	1	1	13	\$15,859	-\$435	N/M
Railroads	-	-	-	-	3	1	2	-	-	-	6	\$99,896	\$6,895	14.5x
Research and Consulting Services	-	1	-	-	7	5	3	-	-	1	17	\$19,900	\$1,126	17.7x
Security and Alarm Services	-	-	-	-	-	3	2	-	-	-	5	\$5,434	\$382	14.2x
Trading Companies and Distributors	-	-	-	-	3	7	6	1	-	1	18	\$25,751	\$905	28.4x
Trucking	-	-	-	-	3	6	2	1	1	3	16	\$23,784	-\$2,160	N/M

Notes

YTD relative performance chart is based on S&P equity indices as of 9/10/09.

Transaction activities data is as of 8/31/09 and include both US and Canadian targets.

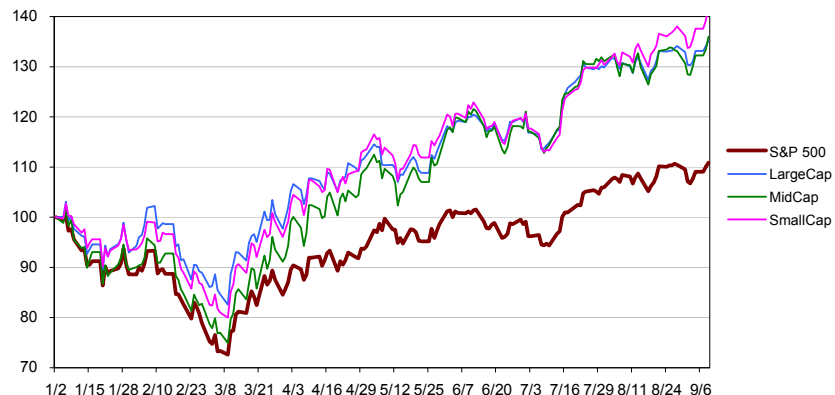
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Information Technology Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Information Technology



LTM Transaction Activities: Information Technology

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	2,216	\$121,178	2,324	\$199,095	2,146	\$101,252	1,479	\$41,177
LBO	144	\$17,836	153	\$81,597	160	\$11,237	108	\$3,548
Strategic M&A	2,072	\$103,342	2,171	\$117,499	1,986	\$90,015	1,371	\$37,629
Non-LBO PE	97	\$1,723	118	\$2,743	138	\$2,422	271	\$2,715
PIPEs	629	\$9,796	616	\$24,530	457	\$9,139	299	\$4,593
Venture Capital	1,449	\$11,267	1,653	\$12,837	1,593	\$12,004	1,260	\$6,463
(M&A only)	2006		2007		2008		2009	
Median Deal	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >
Multiples	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M
TEV/EBITDA	12.7x	14.7x	14.5x	15.8x	15.9x	16.0x	8.6x	11.8x
Equity/LTM NI	21.0x	35.0x	24.0x	35.2x	19.8x	27.5x	19.3x	27.0x

Distribution of Stocks by YTD % Returns and Industry: Information Technology

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Application Software	-	-	-	-	4	8	12	10	8	14	56	\$98,763	\$904	109.2x
Communications Equipment	-	-	-	4	2	8	7	7	11	11	50	\$288,485	-\$2,344	N/M
Computer Hardware	-	-	-	-	1	1	5	2	1	3	13	\$464,044	\$25,041	18.5x
Computer Storage and Peripherals	-	-	-	2	2	1	3	2	4	6	20	\$75,961	-\$3,385	N/M
Data Processing and Outsourced Service	-	-	-	1	3	4	10	5	2	10	35	\$189,244	\$8,359	22.6x
Electronic Components	-	-	-	-	1	1	1	4	1	2	10	\$41,194	\$828	49.8x
Electronic Equipment and Instruments	-	-	-	2	2	7	2	-	3	4	20	\$25,082	-\$470	N/M
Electronic Manufacturing Services	-	-	-	-	-	3	2	4	2	5	16	\$31,335	-\$11,587	N/M
Home Entertainment Software	-	-	-	-	1	3	1	3	-	2	10	\$32,139	-\$986	N/M
Internet Software and Services	-	-	-	1	3	8	12	9	5	10	48	\$260,066	\$7,188	36.2x
IT Consulting and Other Services	-	-	-	1	5	5	2	2	1	3	19	\$59,110	\$3,690	16.0x
Office Electronics	-	-	-	-	-	1	1	-	-	-	2	\$9,247	\$368	25.1x
Semiconductor Equipment	-	-	-	-	2	5	5	1	4	9	26	\$50,714	-\$4,037	N/M
Semiconductors	-	-	-	2	1	6	6	6	10	27	58	\$282,118	-\$6,201	N/M
Systems Software	-	-	-	-	2	6	4	4	2	7	25	\$414,248	\$15,607	26.5x
Technology Distributors	-	-	-	-	1	-	2	3	1	3	10	\$17,089	-\$2,439	N/M

Notes

YTD relative performance chart is based on S&P equity indices as of 9/10/09.

Transaction activities data is as of 8/31/09 and include both US and Canadian targets.

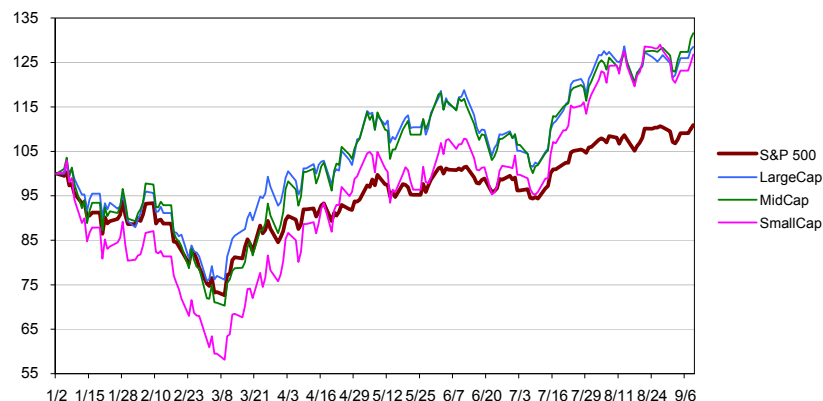
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Materials Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Materials



LTM Transaction Activities: Materials

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	1,012	\$162,687	1,281	\$215,353	1,041	\$97,160	909	\$23,886
LBO	115	\$15,790	103	\$11,402	96	\$6,246	74	\$1,571
Strategic M&A	897	\$146,897	1,178	\$203,952	945	\$90,914	835	\$22,315
Non-LBO PE	12	\$205	38	\$801	41	\$450	40	\$701
PIPEs	1,923	\$6,147	1,865	\$10,378	1,612	\$15,329	1,573	\$11,136
Venture Capital	71	\$499	122	\$392	137	\$1,187	78	\$384

(M&A only) Median Deal Multiples	2006		2007		2008		2009	
	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M
	TEV/EBITDA	6.7x	9.5x	9.9x	8.5x	8.9x	9.5x	7.2x
Equity/LTM NI	15.4x	23.0x	15.6x	15.0x	9.6x	23.2x	12.5x	7.0x

Distribution of Stocks by YTD % Returns and Industry: Materials

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Aluminum	-	-	-	-	-	2	-	1	-	-	3	\$13,958	-\$2,406	N/M
Commodity Chemicals	-	-	1	-	2	-	1	1	-	2	7	\$7,884	-\$140	N/M
Construction Materials	-	-	-	1	1	1	-	2	-	-	5	\$23,294	-\$385	N/M
Diversified Chemicals	-	-	-	-	1	1	3	1	1	5	12	\$81,015	\$370	219.1x
Diversified Metals and Mining	-	-	-	-	1	2	1	-	1	4	9	\$60,966	-\$11,541	N/M
Fertilizers and Agricultural Chemicals	-	-	-	-	-	3	1	3	1	2	10	\$119,215	\$8,905	13.4x
Forest Products	-	-	-	-	-	2	-	-	-	1	3	\$9,091	-\$2,242	N/M
Gold	-	-	-	-	1	4	2	2	-	4	13	\$113,706	\$1,418	80.2x
Industrial Gases	-	-	-	-	-	1	1	1	-	-	3	\$43,262	\$2,058	21.0x
Metal and Glass Containers	-	-	-	-	1	3	3	1	-	2	10	\$25,732	\$1,249	20.6x
Paper Packaging	-	-	-	-	-	2	1	2	-	3	8	\$15,549	\$931	16.7x
Paper Products	-	-	-	-	1	1	-	-	1	5	8	\$18,100	-\$1,698	N/M
Precious Metals and Minerals	-	-	-	-	-	-	-	3	-	1	4	\$10,504	\$164	64.0x
Specialty Chemicals	-	-	-	-	4	7	7	4	2	5	29	\$50,511	-\$166	N/M
Steel	-	-	-	-	-	5	5	3	1	4	18	\$58,544	\$157	371.7x

Notes

YTD relative performance chart is based on S&P equity indices as of 9/10/09.

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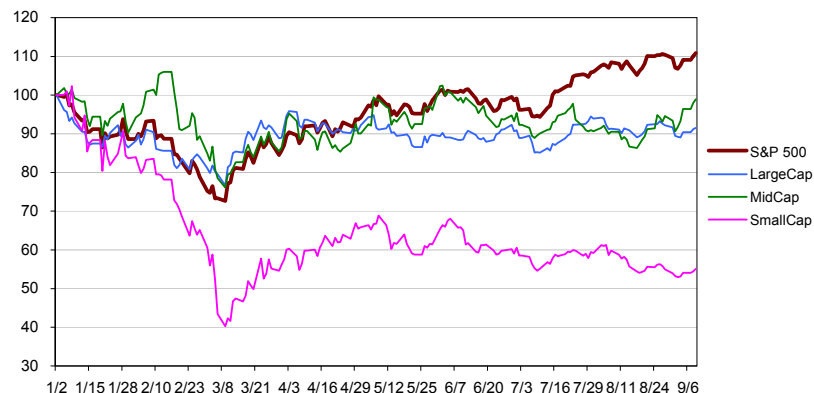
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Telecommunication Services Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Telecommunication Services



LTM Transaction Activities: Telecommunication Services

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	146	\$123,361	192	\$45,403	144	\$37,085	104	\$20,628
LBO	7	\$335	20	\$32,431	10	\$500	4	N/A
Strategic M&A	139	\$123,026	172	\$12,972	134	\$36,586	100	\$20,628
Non-LBO PE	6	\$364	3	\$211	2	\$380	12	\$178
PIPEs	70	\$787	68	\$2,451	48	\$5,242	29	\$1,415
Venture Capital	60	\$947	47	\$767	44	\$569	32	\$488
(M&A only)	2006		2007		2008		2009	
Median Deal	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >
Multiples	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M
TEV/EBITDA	9.5x	11.0x	7.6x	10.9x	8.1x	12.4x	6.2x	6.6x
Equity/LTM NI	21.4x	14.2x	19.9x	23.9x	3.1x	N/A	28.1x	15.2x

Distribution of Stocks by YTD % Returns and Industry: Telecommunication Services

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Alternative Carriers	-	-	-	-	-	1	-	2	4	2	9	\$13,285	-\$754	N/M
Integrated Telecommunication Services	-	-	-	1	8	1	3	-	1	2	16	\$291,292	\$19,903	14.6x
Wireless Telecommunication Services	-	-	2	2	3	4	-	3	3	3	20	\$98,311	\$1,219	80.7x

Notes

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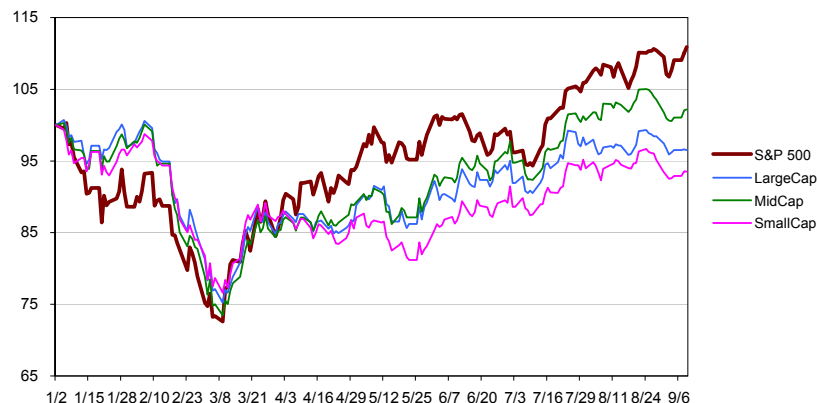
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Utilities Sector Snapshot

Equities | US

YTD Relative % Performance vs. S&P 500: Utilities



LTM Transaction Activities: Utilities

Deal Type	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	198	\$42,096	212	\$83,453	171	\$26,541	159	\$16,062
LBO	27	\$6,794	22	\$51,223	15	\$11,653	10	\$494
Strategic M&A	171	\$35,302	190	\$32,230	156	\$14,888	149	\$15,568
Non-LBO PE	1	\$4	5	\$1,627	8	\$1,885	11	\$887
PIPEs	46	\$889	52	\$596	39	\$856	39	\$2,498
Venture Capital	16	\$233	37	\$811	39	\$1,331	42	\$528
(M&A only)	2006		2007		2008		2009	
Median Deal	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >	Deal <	Deal >
Multiples	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M	\$500M
TEV/EBITDA	6.1x	11.6x	20.2x	9.4x	8.0x	13.9x	6.4x	31.1x
Equity/LTM NI	11.1x	18.3x	50.1x	17.4x	10.5x	24.8x	62.8x	N/A

Distribution of Stocks by YTD % Returns and Industry: Utilities

Industry	2009 Stock Price Performance										Total			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Electric Utilities	-	-	-	3	14	13	-	1	-	-	31	\$216,184	\$15,801	13.7x
Gas Utilities	-	-	-	2	4	9	3	3	-	-	21	\$47,226	\$3,469	13.6x
Independent Producers and Traders	-	-	-	-	2	3	1	-	2	-	8	\$36,105	\$2,067	17.5x
Multi-Utilities	-	-	-	1	11	9	3	-	-	-	24	\$137,684	\$10,418	13.2x
Water Utilities	-	-	-	2	2	1	-	1	-	-	6	\$7,893	-\$37	N/M

Notes

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The screenshot displays the Capital IQ interface for The McGraw-Hill Companies, Inc. for FY 2008. The main table shows financial metrics for 2008, with Revenue highlighted at 6,618.76 E. Three callouts illustrate the navigation process:

- 1:** Clicking on the Revenue value (6,618.76 E) opens a summary window.
- 2:** Clicking on the 'Contributor' link in the summary window opens a detailed breakdown window.
- 3:** Clicking on a specific contributor's revenue value (6,659.50) opens an analyst-level detail window.

Click-through to:

- 1) Access the mean
- 2) View detailed estimate breakdowns
- 3) Audit contributors

Period	Revenue	EBITDA	DPS	EBIT	Net Income	Net Income (GAAP)	Net Debt	Capital Expenditure	EPS (GAAP)
2008	6,618.76 E	1,661.43 E	0.860 E	1,427.37 E	845.90 E	905.33 E	94.00 E	(218.33) E	0.260 E

We recently acquired a copy of the Reuters Estimates database and enhanced it with a host of unique features to create Capital IQ Estimates. This enables us to directly provide you comprehensive estimates data and related tools without the need to negotiate a separate third-party data licensing agreement.

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September 15th: *Q&A Session with S&P Analyst on Evaluating Global Energy Resources*

Join a discussion with Standard & Poor's Equity Research Analyst on shale companies and their effect and potential on the Energy sector.



September 16th: *Basic Portfolio Management*

Portfolio management functionality has been added to Capital IQ. Portfolios and holdings can be uploaded or ingested directly from your accounting system. These portfolios can be used as shared lists in Screening and Market Views.



September 23rd: *New Functionality*

Take a look at the new additions to the Capital IQ platform introduced in the September 12th release.

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Please send an email to globaltraining@capitaliq.com and indicate which webinar you are interested in signing up for.

Questions?

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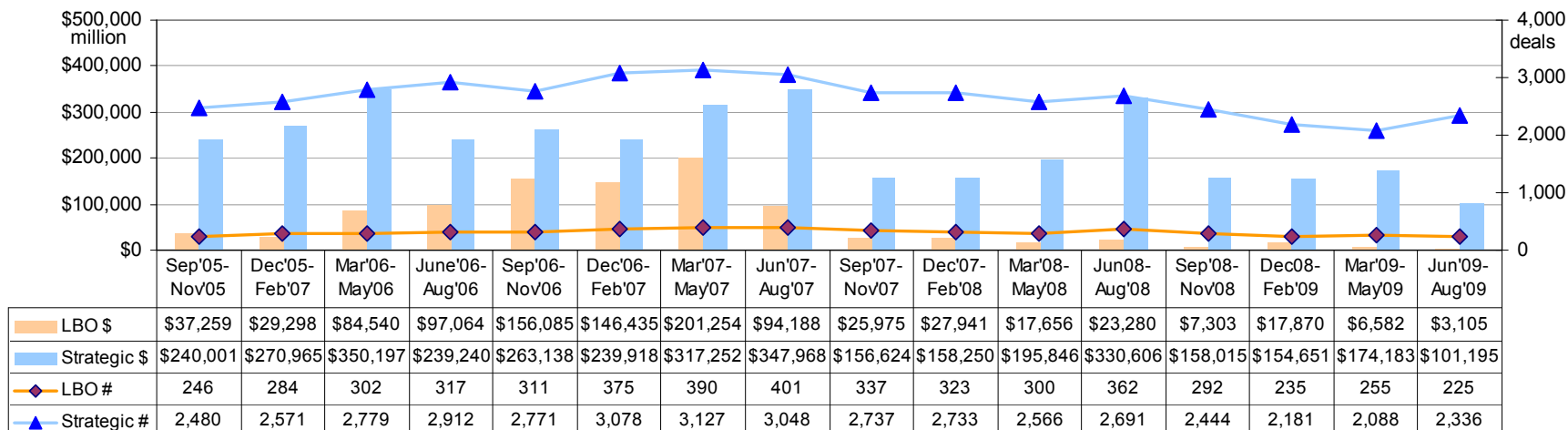
SystematIQ Research is a new independent institutional quantitative research group from Standard & Poor's Capital IQ

<p>Fixed Income</p> <p>Pages 3 to 21</p> <p><u>On Cue, U.S. Nonfinancial Credit Quality Has Bottomed Out, but is the Recovery Following the Script? (3-11)</u></p> <p>By Standard & Poor's Global Fixed Income Research</p> <p><u>S&P Composite Spreads (12)</u></p> <p><u>Is Company UK Positioned for a Rebound? (14-20)</u></p> <p>S&P's Market, Credit and Risk Strategies Group</p> <p><u>Accessing Fixed Income Information in Capital IQ (21)</u></p>	<p>Equities</p> <p>Pages 36 to 54</p> <p><u>Setting up for a September Setback? (36-37)</u></p> <p>By Sam Stovall, Chief Investment Strategist, Standard & Poor's</p> <p><u>Higher Hurdle (38-40)</u></p> <p>By Alec Young, International Equity Strategist, Standard & Poor's</p> <p><u>Sector Snapshots (41-50):</u></p> <ul style="list-style-type: none"> Consumer Discretionary Consumer Staples Energy Financials Healthcare Industrials Information Technology Materials Telecommunication Services Utilities <p><u>Introducing Capital IQ Estimates (51)</u></p> <p><u>Schedule of Upcoming Capital IQ Training Webinars (52)</u></p> <p><u>Free Capital IQ Access For Clients in Between Jobs (53)</u></p>	<p>M&A / Private Capital</p> <p>Pages 56 to 66</p> <p><u>Aggregate Transaction Stats (56-66):</u></p> <ul style="list-style-type: none"> Mergers & Acquisitions Activity by Quarter M&A Valuation by Quarter (North America) M&A Valuation by Quarter (Europe) M&A Valuation by Sector (North America) M&A Valuation by Sector (Europe) M&A by Sector Leveraged Buyouts by Sector Strategic M&A by Sector Private Equity by Sector (Non-Buyouts) PIPEs by Sector Venture Capital by Sector
<p>Industry Perspective</p> <p>Pages 24 to 33</p> <p><u>3i Group's Perspective on Growth Capital (24- 33)</u></p> <p>Transcript of an interview of Robert V. Stefanowski (Chairman and Managing Partner at 3i North America, 3i Asia, and 3i Group plc) by Kelvin Thompson, Managing Partner at MontaRosa LLC at the Argyle Executive Forum's 2009 Leadership in the Private Sector event.</p>		

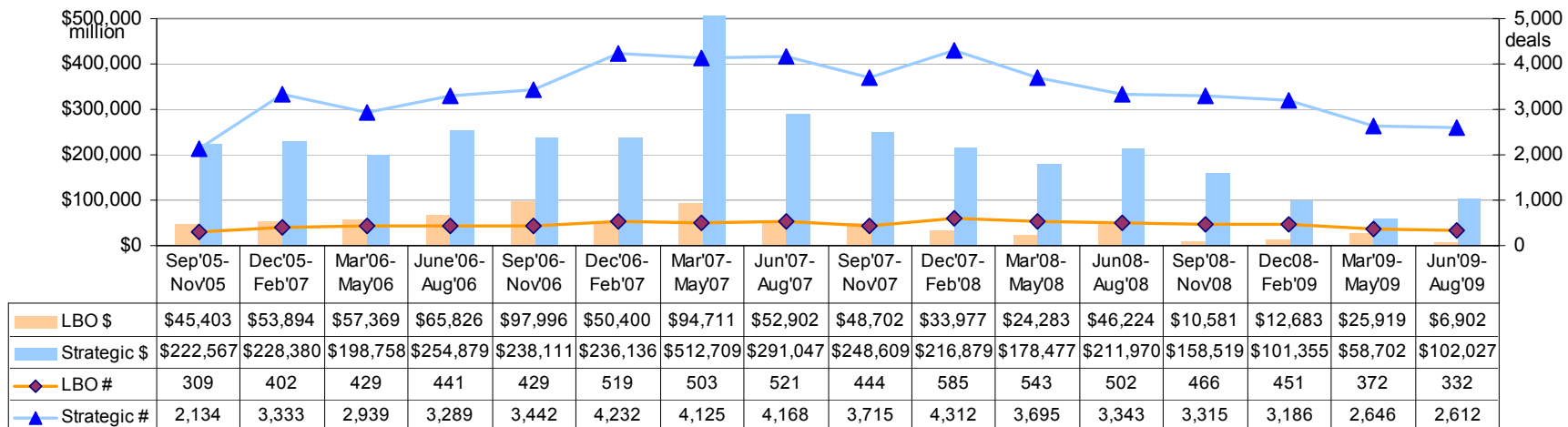
Mergers & Acquisitions Activity by Quarter

Transactions | North America and Europe

Strategic vs. Financial Buyer M&A (North American Targets)



Strategic vs. Financial Buyer M&A (European Targets)

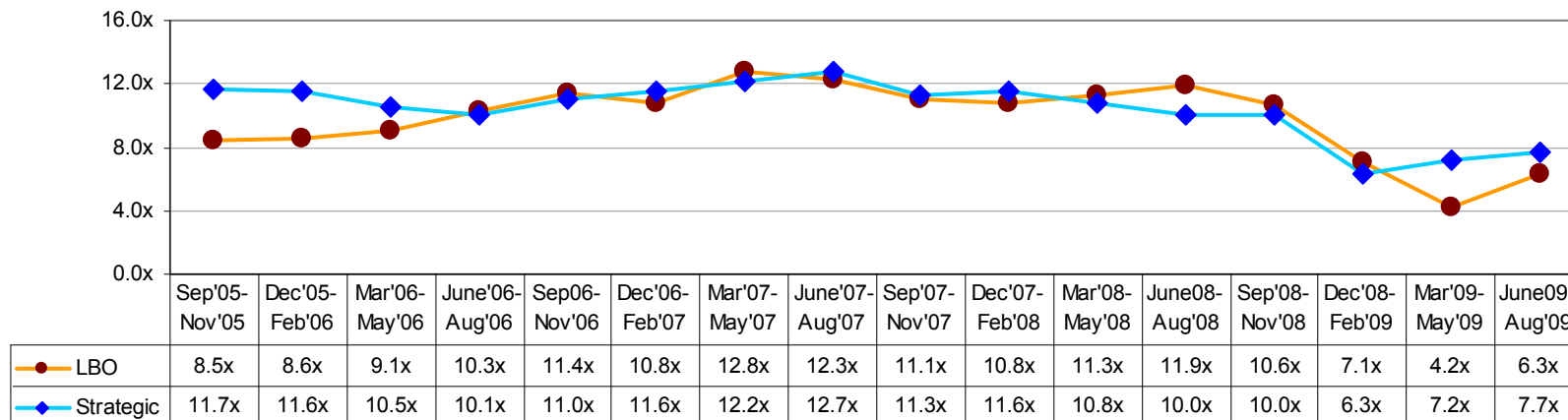


Notes: Figures are based announce dates and on Trailing Three Months basis through August 31, 2009. Includes both closed and pending transactions as well as those without transaction values.

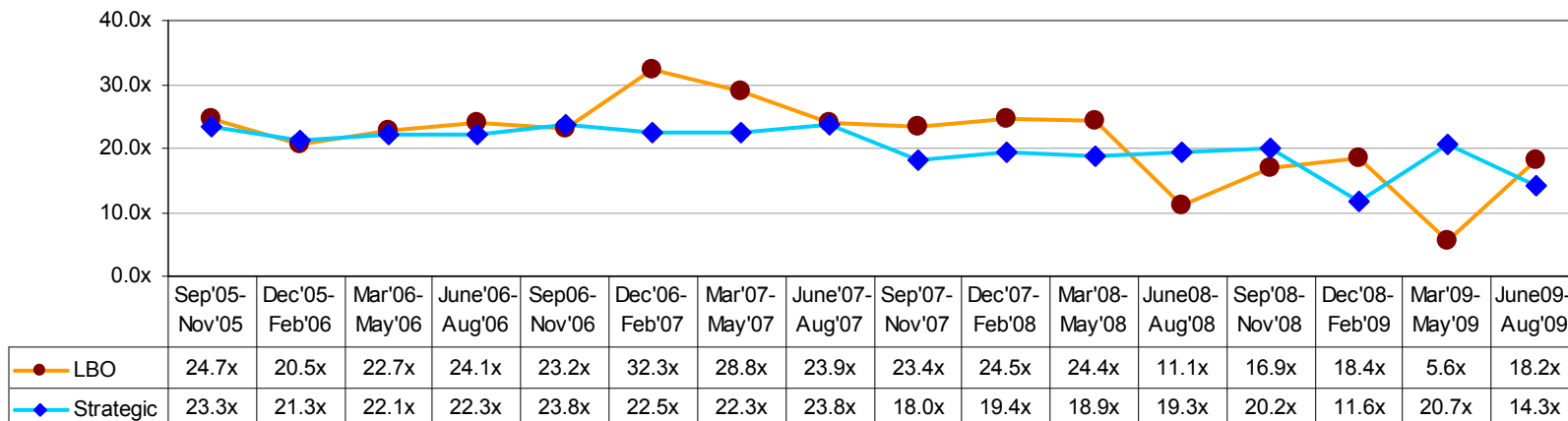
Mergers & Acquisitions Valuation by Quarter (North America)

Transactions | North America

Median Enterprise Value / EBITDA



Median Equity Value / LTM Net Income

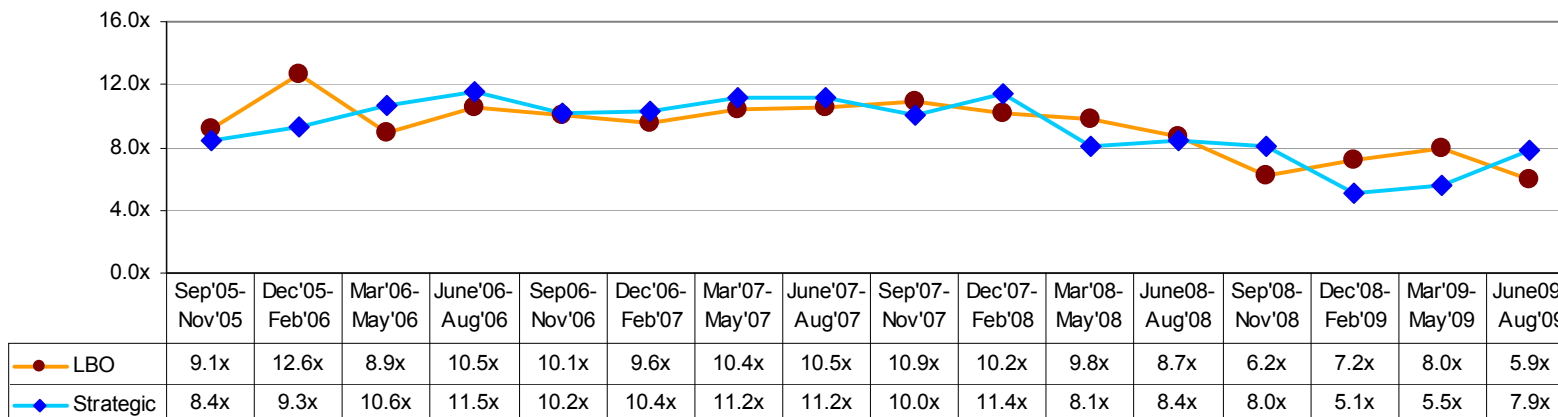


Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based announce dates on Trailing Three Months basis through August 31, 2009. Includes both closed and pending transactions.

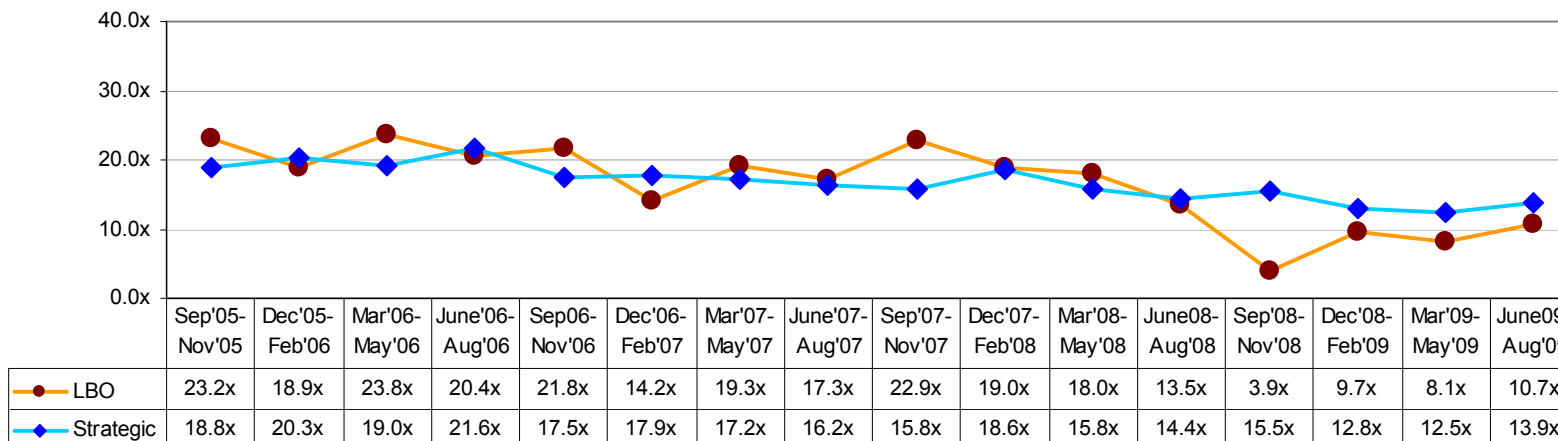
Mergers & Acquisitions Valuation by Quarter (Europe)

Transactions | Europe

Median Enterprise Value / EBITDA



Median Equity Value / LTM Net Income



Notes: Includes M&A transactions involving European targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on Trailing Three Months basis through August 31, 2009. Includes both closed and pending transactions.

Mergers & Acquisitions Valuation by Sector and Deal Size

Transactions | North America

Median Implied Enterprise Value / EBITDA (North American Targets)

(As of 8/31/09)

Target's Sector	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	9.7x	11.3x	9.9x	12.2x	11.4x	8.3x	6.1x	12.2x
Consumer Staples	8.5x	13.6x	10.5x	10.9x	7.4x	11.0x	7.5x	8.7x
Energy	7.8x	10.0x	6.5x	10.2x	6.9x	10.8x	5.4x	7.1x
Financials	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Healthcare	11.9x	17.2x	15.4x	16.8x	15.2x	14.7x	7.9x	11.4x
Industrials	9.0x	9.5x	7.5x	12.0x	9.1x	11.4x	7.1x	12.6x
Information Technology	12.7x	14.7x	14.5x	15.8x	15.9x	16.0x	8.6x	11.8x
Materials	6.7x	9.5x	9.9x	8.5x	8.9x	9.5x	7.2x	6.7x
Telecommunication Services	9.5x	11.0x	7.6x	10.9x	8.1x	12.4x	6.2x	6.6x
Utilities	6.1x	11.6x	20.2x	9.4x	8.0x	13.9x	6.4x	31.1x

Median Implied Equity Value / LTM Net Income (North American Targets)

(As of 8/31/09)

Target's Sector	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	19.3x	29.2x	15.8x	25.9x	14.5x	22.3x	6.3x	21.0x
Consumer Staples	21.1x	28.0x	22.9x	25.8x	8.5x	24.0x	19.3x	19.2x
Energy	21.1x	18.8x	17.2x	21.5x	15.6x	26.7x	12.2x	13.4x
Financials	23.2x	23.0x	23.2x	25.6x	18.0x	22.6x	24.5x	7.5x
Healthcare	26.1x	31.8x	23.8x	43.5x	19.6x	37.2x	17.8x	22.5x
Industrials	13.8x	22.4x	16.7x	26.3x	11.3x	21.0x	14.2x	16.2x
Information Technology	21.0x	35.0x	24.0x	35.2x	19.8x	27.5x	19.3x	27.0x
Materials	15.4x	23.0x	15.6x	15.0x	9.6x	23.2x	12.5x	7.0x
Telecommunication Services	21.4x	14.2x	19.9x	23.9x	3.1x	N/A	28.1x	15.2x
Utilities	11.1x	18.3x	50.1x	17.4x	10.5x	24.8x	62.8x	N/A

Notes: Figures are based on transaction announcement dates. Includes both closed and pending transactions. N/A = Not available. N/M = Not made.

Mergers & Acquisitions Valuation by Sector and Deal Size

Transactions | Europe

Median Implied Enterprise Value / EBITDA (European Targets)

(As of 8/31/09)

Target's Sector	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	8.4x	11.3x	9.9x	10.8x	10.1x	14.1x	6.2x	11.2x
Consumer Staples	8.7x	8.5x	9.6x	13.2x	8.2x	13.4x	7.3x	N/A
Energy	7.9x	7.3x	7.3x	11.9x	9.2x	13.7x	3.9x	4.6x
Financials	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Healthcare	11.7x	13.4x	11.1x	14.6x	13.0x	16.9x	7.3x	N/A
Industrials	7.5x	12.6x	8.8x	13.0x	6.4x	12.0x	7.4x	7.6x
Information Technology	12.9x	12.2x	10.8x	16.0x	9.8x	16.9x	7.1x	10.7x
Materials	5.9x	9.4x	7.3x	8.2x	6.5x	8.4x	5.9x	5.7x
Telecommunication Services	8.0x	8.4x	7.3x	13.7x	7.6x	11.0x	14.1x	5.4x
Utilities	8.6x	11.4x	12.2x	9.9x	9.0x	10.9x	12.8x	8.0x

Median Implied Equity Value / LTM Net Income (European Targets)

(As of 8/31/09)

Target's Sector	Last Twelve Months Ending August 31 of:							
	2006		2007		2008		2009	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	18.4x	28.5x	14.8x	18.1x	15.8x	25.2x	5.8x	22.4x
Consumer Staples	17.3x	20.6x	13.4x	22.1x	17.0x	33.8x	33.3x	N/A
Energy	17.8x	19.7x	14.9x	9.8x	32.9x	41.4x	29.3x	16.5x
Financials	29.0x	15.9x	17.2x	19.4x	12.4x	20.7x	14.1x	9.4x
Healthcare	16.2x	28.5x	16.0x	28.3x	29.6x	46.6x	14.0x	N/A
Industrials	12.9x	28.8x	16.5x	25.4x	10.0x	21.5x	12.0x	7.5x
Information Technology	24.4x	28.2x	21.8x	31.0x	15.6x	34.8x	13.9x	31.8x
Materials	8.3x	21.8x	15.0x	19.9x	12.8x	23.7x	6.8x	N/A
Telecommunication Services	12.0x	24.6x	15.0x	21.0x	10.4x	29.6x	19.3x	15.5x
Utilities	113.8x	21.4x	30.1x	17.5x	19.0x	17.9x	11.2x	12.8x

Notes: Figures are based on transaction announce dates. Includes both closed and pending transactions. N/A = Not available. N/M = Not made.

Mergers & Acquisitions by Sector

Transactions | North America & Europe

North American Target M&A

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	2,031	\$ 185,856	2,338	\$ 169,580	2,842	\$ 337,185	2,326	\$ 61,445	1,627	\$ 57,311
Consumer Staples	333	73,407	396	48,102	479	43,857	395	112,149	318	38,228
Energy	679	93,060	892	194,708	907	160,827	757	104,860	727	67,657
Financials	1,111	160,808	1,328	252,100	1,519	354,321	1,499	140,832	2,028	155,059
Healthcare	880	76,933	1,035	154,378	1,154	185,214	1,058	145,084	818	178,155
Industrials	1,536	75,152	1,973	78,549	2,266	136,377	2,107	106,551	1,419	20,409
Information Technology	2,009	95,959	2,216	121,178	2,324	199,095	2,146	101,252	1,479	41,177
Materials	693	41,244	1,012	162,687	1,281	215,353	1,041	97,160	909	23,886
Telecommunication Services	199	112,188	146	123,361	192	45,403	144	37,085	104	20,628
Utilities	134	51,586	198	42,096	212	83,453	171	26,541	159	16,062
Grand Total	9,605	\$ 966,194	11,534	\$ 1,346,738	13,176	\$ 1,761,085	11,644	\$ 932,960	9,588	\$ 618,571

European Target M&A

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	1,528	\$ 124,601	2,848	\$ 160,800	4,008	\$ 216,973	3,727	\$ 151,758	2,677	\$ 27,933
Consumer Staples	422	48,098	822	39,025	1,234	106,113	1,112	63,462	789	8,916
Energy	195	36,210	330	60,339	430	92,640	343	50,171	292	46,594
Financials	939	220,292	1,772	304,731	1,943	433,755	1,796	232,405	2,102	143,738
Healthcare	398	29,188	555	103,051	759	112,180	781	41,478	559	9,499
Industrials	1,447	118,077	2,662	173,590	3,896	144,574	3,955	147,898	2,692	79,286
Information Technology	1,079	57,181	1,711	53,311	2,233	47,313	2,057	55,417	1,416	15,375
Materials	481	63,400	905	104,326	1,291	117,063	1,150	54,472	731	16,673
Telecommunication Services	169	68,376	246	88,390	293	58,390	238	58,160	167	9,571
Utilities	175	55,352	269	27,930	423	228,595	490	99,881	411	104,536
Grand Total	6,833	\$ 820,776	12,120	\$ 1,115,492	16,510	\$ 1,557,596	15,649	\$ 955,103	11,836	\$ 462,120

Notes: Figures are based on transaction announce dates. Includes both closed and pending transactions as well as those without transaction values.

Leveraged Buyouts by Sector

Transactions | North America & Europe

North American Target Leveraged Buyouts

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	280	50,857	339	58,593	447	205,206	421	17,699	274	6,297
Consumer Staples	52	1,309	48	2,229	80	13,944	62	1,085	48	2,182
Energy	24	4,231	27	36,185	54	13,447	47	12,009	25	1,148
Financials	57	12,377	79	29,835	98	105,219	107	9,575	192	16,920
Healthcare	73	5,863	95	47,725	124	40,999	100	11,442	60	706
Industrials	221	18,671	260	32,762	364	42,078	270	13,235	174	1,921
Information Technology	130	17,094	144	17,836	153	81,597	160	11,237	108	3,548
Materials	75	11,986	115	15,790	103	11,402	96	6,246	74	1,571
Telecommunication Services	19	979	7	335	20	32,431	10	500	4	-
Utilities	11	5,376	27	6,794	22	51,223	15	11,653	10	494
Grand Total	942	\$ 128,744	1,141	\$ 248,083	1,465	\$ 597,545	1,288	\$ 94,680	969	\$ 34,787

European Target Leveraged Buyouts

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	304	\$ 43,633	461	\$ 67,652	587	\$ 70,807	659	\$ 30,657	505	\$ 3,753
Consumer Staples	62	10,952	97	11,255	119	12,371	137	4,187	107	571
Energy	11	1,441	9	839	14	2,267	17	7,072	11	4,289
Financials	80	17,609	133	15,285	117	21,215	155	18,957	184	5,573
Healthcare	68	10,584	84	22,710	95	45,773	84	5,818	56	1,278
Industrials	275	29,857	407	55,527	533	60,671	557	45,090	349	34,042
Information Technology	102	10,231	173	15,971	201	7,878	188	7,480	155	1,973
Materials	84	15,438	123	8,517	164	26,103	144	11,003	102	1,189
Telecommunication Services	13	18,492	24	24,424	19	11,542	18	67	13	699
Utilities	14	5,513	8	252	26	36,939	21	21,203	21	1,075
Grand Total	1,013	\$ 163,751	1,519	\$ 222,433	1,875	\$ 295,565	1,980	\$ 151,533	1,503	\$ 54,443

Notes: Figures are based on transaction announce dates. Includes both closed and pending transactions as well as those without transaction values.

Strategic Mergers & Acquisitions by Sector

Transactions | North America & Europe

North American Target Strategic M&A

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	1,751	\$ 134,998	1,999	\$ 110,987	2,395	\$ 131,979	1,905	\$ 43,746	1,353	\$ 51,014
Consumer Staples	281	72,099	348	45,872	399	29,913	333	111,064	270	36,045
Energy	655	88,829	865	158,524	853	147,380	710	92,852	702	66,509
Financials	1,054	148,431	1,249	222,265	1,421	249,102	1,392	131,257	1,836	138,139
Healthcare	807	71,070	940	106,654	1,030	144,215	958	133,642	758	177,449
Industrials	1,315	56,481	1,713	45,788	1,902	94,299	1,837	93,316	1,245	18,489
Information Technology	1,879	78,864	2,072	103,342	2,171	117,499	1,986	90,015	1,371	37,629
Materials	618	29,258	897	146,897	1,178	203,952	945	90,914	835	22,315
Telecommunication Services	180	111,209	139	123,026	172	12,972	134	36,586	100	20,628
Utilities	123	46,210	171	35,302	190	32,230	156	14,888	149	15,568
Grand Total	8,663	\$ 837,450	10,393	\$ 1,098,655	11,711	\$ 1,163,540	10,356	\$ 838,280	8,619	\$ 583,784

European Target Strategic M&A

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	1,224	\$ 80,968	2,387	\$ 93,148	3,421	\$ 146,166	3,068	\$ 121,100	2,172	\$ 24,179
Consumer Staples	360	37,146	725	27,769	1,115	93,742	975	59,275	682	8,345
Energy	184	34,769	321	59,500	416	90,373	326	43,100	281	42,306
Financials	859	202,683	1,639	289,446	1,826	412,539	1,641	213,448	1,918	138,165
Healthcare	330	18,604	471	80,342	664	66,408	697	35,661	503	8,221
Industrials	1,172	88,220	2,255	118,063	3,363	83,903	3,398	102,808	2,343	45,245
Information Technology	977	46,949	1,538	37,339	2,032	39,436	1,869	47,937	1,261	13,402
Materials	397	47,962	782	95,809	1,127	90,960	1,006	43,469	629	15,483
Telecommunication Services	156	49,884	222	63,966	274	46,848	220	58,093	154	8,872
Utilities	161	49,839	261	27,678	397	191,656	469	78,678	390	103,460
Grand Total	5,820	\$ 657,024	10,601	\$ 893,059	14,635	\$ 1,262,031	13,669	\$ 803,570	10,333	\$ 407,678

Notes: Figures are based on transaction announce dates. Includes both closed and pending transactions as well as those without transaction values.

Private Equity Investments by Sector (Non-Buyouts)

Transactions | North America & Europe

North American Target Private Equity Investments

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	54	\$ 1,264	33	\$ 774	43	\$ 2,146	31	\$ 406	72	\$ 1,838
Consumer Staples	7	90	6	61	11	100	4	98	22	208
Energy	20	1,741	24	1,245	21	2,276	18	1,366	23	1,079
Financials	28	1,109	28	1,117	65	7,427	43	4,331	361	20,978
Healthcare	80	1,266	53	601	65	2,169	81	1,494	178	1,779
Industrials	36	392	34	905	46	994	44	1,168	82	1,334
Information Technology	140	797	97	1,723	118	2,743	138	2,422	271	2,715
Materials	12	125	12	205	38	801	41	450	40	701
Telecommunication Services	8	1,562	6	364	3	211	2	380	12	178
Utilities	3	4	1	4	5	1,627	8	1,885	11	887
Grand Total	388	\$ 8,350	294	\$ 6,999	415	\$ 20,494	410	\$ 13,999	1,072	\$ 31,697

European Target Private Equity Investments

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	50	\$ 2,327	60	\$ 801	95	\$ 15,550	91	\$ 1,702	122	\$ 4,211
Consumer Staples	22	278	19	224	30	403	28	1,538	27	500
Energy	12	241	21	441	21	1,644	15	697	6	44
Financials	22	551	32	2,823	80	9,537	68	10,755	94	67,390
Healthcare	47	370	33	263	38	741	25	1,098	69	822
Industrials	60	750	62	739	75	3,033	71	1,901	101	6,931
Information Technology	84	373	80	787	72	623	66	526	105	586
Materials	33	370	34	647	26	190	18	775	26	406
Telecommunication Services	7	1,237	10	224	6	198	7	1,789	11	718
Utilities	5	199	6	177	10	959	14	1,992	10	338
Grand Total	342	\$ 6,695	357	\$ 7,126	453	\$ 32,879	403	\$ 22,774	571	\$ 81,946

Notes: Figures are based on transaction announce dates. Includes both closed and pending transactions as well as those without transaction values.

Private Investments in Public Entities by Sector

Transactions | North America & Europe

North American Target PIPs

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	287	\$ 4,381	273	\$ 4,325	305	\$ 8,994	262	\$ 5,517	167	\$ 45,548
Consumer Staples	65	861	74	811	98	3,548	90	451	57	1,436
Energy	862	10,164	888	12,194	821	22,024	638	9,576	393	4,555
Financials	282	14,877	292	13,963	316	29,139	260	70,987	640	402,724
Healthcare	490	9,142	568	24,675	620	12,817	481	7,657	445	3,747
Industrials	296	4,877	375	4,493	384	4,682	319	3,216	217	6,560
Information Technology	624	5,739	629	9,796	616	24,530	457	9,139	299	4,593
Materials	1,597	3,828	1,923	6,147	1,865	10,378	1,612	15,329	1,573	11,136
Telecommunication Services	68	2,781	70	787	68	2,451	48	5,242	29	1,415
Utilities	56	2,985	46	889	52	596	39	856	39	2,498
Grand Total	4,627	\$ 59,635	5,138	\$ 78,080	5,145	\$ 119,159	4,206	\$ 127,969	3,859	\$ 484,212

European Target PIPs

(As of 8/31/09)

Sector	Last Twelve Months Ending August 31 of:									
	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	33	\$ 7,553	65	\$ 2,947	89	\$ 3,213	113	\$ 1,741	118	\$ 6,873
Consumer Staples	3	77	14	2,131	22	376	23	342	23	1,872
Energy	22	1,400	61	3,260	78	3,760	74	3,008	105	3,194
Financials	19	1,308	58	8,863	78	20,304	98	29,560	139	147,551
Healthcare	33	754	71	2,792	82	3,631	72	1,604	97	1,842
Industrials	22	1,149	62	2,049	95	5,161	117	4,927	109	4,485
Information Technology	31	509	95	2,135	101	1,458	121	1,329	110	2,036
Materials	32	603	72	1,795	77	1,955	119	9,430	151	6,606
Telecommunication Services	8	113	12	1,538	16	195	10	113	9	71
Utilities	5	28	11	1,204	18	7,777	15	3,256	15	3,051
Grand Total	208	\$ 13,494	521	\$ 28,715	656	\$ 47,831	762	\$ 55,312	876	\$ 177,580

Notes: Figures are based on transaction announce dates. Includes both closed and pending transactions as well as those without transaction values.

Venture Capital Investments by Sector

Transactions | North America & Europe

North American Target Venture Capital

(As of 8/31/09)

Last Twelve Months Ending August 31 of:

Sector	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	135	\$ 1,648	211	\$ 2,232	283	\$ 2,921	304	\$ 3,554	254	\$ 1,666
Consumer Staples	30	972	23	102	45	274	58	671	40	107
Energy	52	803	114	3,936	110	3,999	107	5,081	56	2,123
Financials	53	2,038	80	3,879	126	3,745	109	5,558	94	3,612
Healthcare	502	6,686	645	7,986	702	8,991	727	8,450	632	5,891
Industrials	133	1,960	170	2,637	212	2,240	259	3,576	212	2,044
Information Technology	1,146	9,571	1,449	11,267	1,653	12,837	1,593	12,004	1,260	6,463
Materials	43	225	71	499	122	392	137	1,187	78	384
Telecommunication Services	42	1,479	60	947	47	767	44	569	32	488
Utilities	10	242	16	233	37	811	39	1,331	42	528
Grand Total	2,146	\$ 25,624	2,839	\$ 33,717	3,337	\$ 36,976	3,377	\$ 41,980	2,700	\$ 23,307

European Target Venture Capital

(As of 8/31/09)

Last Twelve Months Ending August 31 of:

Sector	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	89	\$ 549	161	\$ 1,104	219	\$ 862	291	\$ 1,541	204	\$ 1,072
Consumer Staples	20	84	36	540	43	418	63	554	36	387
Energy	6	76	33	1,112	26	719	31	940	14	152
Financials	21	1,766	66	3,160	92	4,375	97	3,689	49	5,087
Healthcare	206	1,582	259	1,655	310	2,198	348	2,067	259	1,124
Industrials	78	369	145	959	223	1,393	248	2,224	193	1,561
Information Technology	354	1,401	489	1,755	755	2,659	762	2,728	631	1,560
Materials	18	147	43	169	74	734	73	567	55	470
Telecommunication Services	19	82	32	432	29	218	27	150	18	73
Utilities	4	91	24	2,056	29	413	39	474	25	260
Grand Total	815	\$ 6,149	1,288	\$ 12,941	1,800	\$ 13,990	1,979	\$ 14,935	1,484	\$ 11,748

Notes: Figures are based on transaction announce dates. Includes both closed and pending transactions as well as those without transaction values.

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