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**MONEY MANAGEMENT INDUSTRY WILL NEED TO  
FOCUS ON MARKETABILITY AND REDUCING LEVERAGE  
OF PORTFOLIOS, SAYS AMF'S CEO**

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**Higher quality earnings will drive market recovery  
“more rapidly than now imagined”**

NEW YORK, February 11, 2009 – The seeds of recovery in the financial markets and the investment management business are now being sown, Norton Reamer, CEO of Asset Management Finance and 40-year fund industry veteran told a group of investment management executives.

Delivering the keynote address at the 8<sup>th</sup> annual *Managed Accounts Technology and Operations Summit* in Miami, Mr. Reamer told conference participants: “To be sure, we are going to have to deal with the effects of deleveraging for several years to come as the super-leveraged, pro-risk environment of the last decade is brought down to earth. That should dampen the growth rate in the economic recovery but it need not dampen the growth rate of the markets as higher PE ratios, connoting higher quality earnings, appear on the investment horizon.

“I, for one, feel that we will recapture the market losses of the last six months much more rapidly than might now be imagined because of this quality of earnings/lower leverage combination as 2009 and 2010 unfold.” Mr. Reamer said.

“In this setting, stock prices should recover and the money management industry should prosper once again if, and for as long as, inflation stays under control. The trauma experienced by the industry in 2008 should bring about some changes, however. One of the changes I do not expect is the dissolution of the hedge fund industry or even the seemingly derivative ‘fund of funds’ industry. I do think, however, that the liquidity problems which have always been present in private equity investments and were unexpectedly present in some hedge funds will be more of an issue.”

## AMF/2

Mr. Reamer also outlined some of the issues facing investment managers in preparing their businesses for the future:

"Professional money management isn't going away. There is simply too much accumulated capital in the hands of institutions and high net worth individuals (not to mention 401(k) and mutual fund holders like the rest of us) which needs to be productively managed. There is no alternative. In the present and forthcoming low interest rate environment for 'safe' investments, which is being created by the Fed, professionals who offer a reasonable expectation of much higher returns will be as much needed as ever.

"The greatest reality check for today's sophisticated institutional investors -- particularly large endowments and foundations -- has been the shocking impact on their operations of the illiquidity of wide swaths of their portfolio holdings. I predict a profound movement over the next several years by these institutions to improve the marketability of their portfolios. We are already seeing attempts by some of them to sell, even at deep discounts, some of their non-marketable securities.

"Therefore, I think one of the characteristics of the resurgent money management industry of the next several years will be a much greater preference by clients for liquidity (or ready marketability) in portfolio holdings.

"A second characteristic is likely to be sharply reduced use of leverage in investments and portfolios, if for no other reason than that leverage on a scale comparable to the recent past will not be available from banks and other, now chastened, lenders.

"The traumas of the past two years will undoubtedly lead to a certain degree of reform in regulation, client discipline and manager discretion. I have to believe that this is all to the good. We've continued to be reminded periodically that completely untrammelled capitalism is not usually best in the long run. And in no industry does the client need clear ground rules more urgently than where the management of his or her assets is involved."

## AMF/3

Mr. Reamer concluded: "The future money management business I see from here will face certain changes which may look as follows:

1. More, but hopefully, wiser regulatory protections for investors.
2. Limitations on the use of certain types of 'toxic' derivatives.
3. A decline in the use of leverage in portfolios.
4. Greater portfolio liquidity.
5. More regard for 'black swans' and 'fat tails'.
6. Finally, there will have to be more candor and evenhandedness on the part of money managers in the future; both were too often suspended in the recent bull market for money management talent."

"Clients are thirsting for unique, highly skilled and completely autonomous firms as a better way to achieve their performance goals. Never has so much sophisticated money worked so hard to find new and exciting firms with whom to entrust their accounts."

For the full text of Norton Reamer's remarks, please visit [www.amfinance.com](http://www.amfinance.com).

### **About Asset Management Finance (AMF)**

AMF offers an innovative investment technique for asset management firms seeking funding for owner liquidity, internal equity transfers, expansion efforts or other capital needs. AMF's structure provides capital in exchange for a limited term interest in a firm's future revenues. AMF holds passive, non-voting revenue share interests in a diversified group of asset managers. Asset managers retain complete control and the majority of their firm's revenues during the transaction term with 100% of the economic benefits reverting to the owners when AMF's interest expires. This arrangement gives asset managers the ability to realize embedded franchise value without sacrificing ownership or management control. Investors in Asset Management Finance include Credit Suisse Group AG, Proctor NBF Capital Partners (through a subsidiary of National Bank Financial Inc.), Tokio Marine & Nichido Fire Insurance Co., Ltd., and AMF management. AMF has offices in New York and Boston.

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