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NEWS RELEASE

AFFILIATED MANAGERS GROUP ACQUIRES CONSECO FUNDS

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Affiliated Managers Group is acquiring Consecos \$400 million retail mutual fund family, which was recently renamed 40 | 86 Advisors.

As part of the deal, AMG's Managers Funds, which holds approximately \$4 billion in fund assets, will become the advisor to the 40 | 86 funds, says Nathaniel Dalton, a spokesperson for AMG. The funds' existing advisor, 40 | 86, will stay on as subadvisor to the funds, which will be rebranded under the Managers Funds moniker.

Chicago Equity Partners and Oak Associates, which subadvise Consecos equity funds, will continue to manage those funds.

The deal is limited to acquiring the portfolios, and no Consecos employees will join AMG as a result of the changes. Executives at AMG declined to disclose terms of the deal, and officials at Consecos did not return calls seeking comment.

If AMG did a complete acquisition, including portfolio managers and staffers, of a fund family the size of Consecos, it could sell for anywhere from \$8 to \$12 million, says **Dan Seivert**, managing partner with **3C Financial Partners**. The merchant banking firm performs investment banking, consulting and private equity placements. Since 40 | 86 will continue to serve as a subadvisor, however, the funds may have sold for only half of that amount.

Still, that could help Consecos considerably. When the firm put its fund business on the block a little less than a year ago, it was struggling to pay down an estimated \$6 billion in operating debt.

For AMG, the Consecos funds are an appealing addition to the Managers Funds because the fund family includes mid-cap and high-yield funds, says Peter M. Lebovitz, president and CEO of the Managers Funds. He adds that the Managers Funds currently don't offer such products.

The Managers Funds currently have eight external sales professionals who distribute funds through wirehouses, registered investment advisors, bank trust departments, fund supermarkets and retirement plan vendors. Along with the acquisition, the Managers Funds expect to hire additional sales professionals, Lebovitz says, declining to speculate how many will be added.

As a holding company of investment management firms, AMG is able to acquire non-profitable fund families and make them profitable, says Dalton. AMG does that by leveraging its existing sales teams, client services infrastructure and back office, he adds.

AMG has already used the strategy with other fund families, he adds. It currently has 17 affiliated investment groups. The firms are primarily niche firms and include firms like Tweedy, Browne Co., Third Avenue Management and Freiss Associates.

The holding company approach has worked for AMG. As evidence of that, in August of 2000 it acquired the mutual fund business of Smith Breeden Associates, which had \$230 million in assets. Along with rebranding the funds with the Managers Funds name, the firm also picked up the distribution and client servicing functions. It has since grown the fund assets by some 400%.

AMG's deal could just be one of many to come, says 3C's Financial Partner's Seivart. Indeed, the move could signal a trend of large holding companies' snatching up smaller fund families, according to some other industry consultants.

After three years of a declining equity markets, many smaller fund families are having a hard time with becoming profitable. Many have been unable to raise sufficient amounts of assets to be profitable.

"There are a number of fund firms out there that aren't at a break-even point or haven't hit scale," says Seivart. "And the holding company model is becoming more popular because of the need for scale and the cost of distribution."

At the same time, the market has been moving upward this year, adds George Walper, Jr., president of Spectrem Group, a consulting and investing banking firm.

That's causing asset levels to increase at most firms. With the higher asset levels, smaller firms can command higher sales prices. That will provide more of an incentive for executives to shop their fund businesses, he adds.

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