

## United States: Financial Services

### New risks create some new opportunities

#### New risks, but new opportunities

We are using the recent volatility to reassess our positioning across Financials. The recent spike in volatility makes us more optimistic about capital markets activity like trading, but we are more cautious about the longer-term capital deployment theme, such as M&A, private equity, corporate loan growth and equity fund flows. Consumer provision leverage is unaffected by recent events and remains a major earnings driver for the second half of the year.

#### We are making a number of rating changes

We are adding BLK, ACE, CME and NTRS to the Conviction Buy List and removing BEN, BX, STI and EVR. We are adding JEF and AMB to the Conviction Sell List and removing FIL. We are downgrading the Asset Management coverage view to Neutral from Attractive, and are downgrading JNS and CLMS to Sell from Neutral. Within banks, we are upgrading C to Buy from Neutral and downgrading WFC and CMA to Neutral from Buy. Within Insurance, we are downgrading ACGL and VR to Neutral from Buy.

#### What has changed over the last month

Recent strong volume trends imply potential upside to our estimates for the exchanges such as CME and trust banks such as NTRS, and increased regulation is likely to be a longer-term positive for the exchanges. Trust banks like NTRS benefit from the recent increase in FX vol and LIBOR. In a more volatile environment, sentiment is likely to improve for firms that offer stability, such as ACE. We also like strong franchises trading at attractive valuations, such as JPM, BAC and BLK.

#### Macro likely to remain a driving theme

To the extent that strains in European sovereign debt and short-term money markets cause broader risk deleveraging, US financials are not immune from falling asset prices. At the same time, while regulatory risk is (hopefully) reaching a peak, it does create the specter of an overhang for some time. In particular, our Washington analyst does not expect the Lincoln proposal to make it into the final bill, but should this occur, it would be very negative for investments banks and potentially exchanges, as volumes would suffer.

#### FINANCIALS CONVICTION LIST:

Buy		Sell	
ACE Limited	ACE	AMB Property Corp.	AMB
Bank of America Corporation	BAC	Jefferies Group Inc.	JEF
BlackRock, Inc.	BLK		
CB Richard Ellis Group Inc.	CBG		
CME Group Inc.	CME		
J.P. Morgan Chase & Co.	JPM		
M.D.C. Holdings, Inc.	MDC		
The Nasdaq Stock Market, Inc.	NDAQ		
Northern Trust Corp.	NTRS		

#### RATINGS CHANGES:

\* denotes stocks on the conviction list

Company name	Ticker	New Rating	Old Rating
ACE Limited	ACE	Buy *	Buy
AMB Property Corp.	AMB	Sell *	Neutral
Arch Capital Group Ltd.	ACGL	Neutral	Buy
Artio Global Investors Inc.	ART	Neutral	Buy
BlackRock, Inc.	BLK	Buy *	Buy
Calamos Asset Management, Inc.	CLMS	Sell	Neutral
Citigroup Inc.	C	Buy *	Neutral
CME Group Inc.	CME	Buy *	Buy
Comerica, Inc.	CMA	Neutral	Buy
Evercore Partners Inc.	EVR	Buy	Buy *
Federated Investors, Inc.	FIL	Sell	Sell *
Franklin Resources, Inc.	BEN	Buy	Buy *
Janus Capital Group Inc.	JNS	Sell	Neutral
Jefferies Group Inc.	JEF	Sell *	Sell
Northern Trust Corp.	NTRS	Buy *	Buy
SunTrust Banks, Inc.	STI	Buy	Buy *
The Blackstone Group L.P.	BX	Buy	Buy *
Validus Holdings, Ltd.	VR	Neutral	Buy
Wells Fargo & Company	WFC	Neutral	Buy

For a special disclosure as to Goldman Sachs investment in Validus Holdings, Ltd., see the statement preceding the Reg AC certification.

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Jessica Binder Graham, CFA

*The prices in this report are based on the market close of May 21, 2010.*

## New risks create some new opportunities

**Financials have fallen 14% and underperformed the S&P 500 by approximately 370 bp since April 15 as regulatory reform and Europe concerns have weighed on sentiment.** To the extent that strains in European sovereign debt and short-term money markets cause broader risk deleveraging, US financials are not immune from falling asset prices. At the same time, while regulatory risk is hopefully reaching a peak, it is likely to remain an overhang for some time.

**While uncertainty remains over regulatory reform and sovereign risk, we still believe many of the fundamental trends are positive. Looking across the financial sector, we highlight four themes for stock-picking** (also, see Exhibit 1):

- **Consumer delinquency trends have continued to show improvement over the past few months.** Master Trust data released in mid-April showed a sharp improvement in both delinquencies and charge-offs, part of which stems from a decline in the “early” and “newly” unemployed. This supports our view that the change in unemployment is more important than the actual level in terms of tracking delinquency trends. This should benefit JPM and BAC.
- **High volatility is likely to benefit some capital markets activity, such as trading, but likely hurts the longer-term capital deployment theme.** Volume trends have been increasing over the course of the quarter in a number of different products, including FX, rates and equities. However, we are more cautious about longer-term capital deployment, such as M&A, private equity, corporate loan growth and equity fund flows. As a result, we are adding CME and NTRS to the Conviction Buy List but are removing EVR, BX, and BEN. JPM and BAC are also likely to benefit from stronger capital market activity in the near-term.
- **Real estate prices are stabilizing as the hunt for yield hits real assets.** While there are some concerns that real estate prices may take another leg down at some point, low interest rates have helped push issues further in the future. Homebuilders are well positioned to benefit from an improvement in new home sales from the depressed levels of 2009, even if the next few months are weak following the expiration of the homebuyer tax credit. For CRE, transaction volumes have started to pick up ahead of an improvement in fundamentals. We highlight MDC and CBG.
- **The sell-off has created attractive entry points for a number of strong franchise businesses.** We highlight ACE, BLK, JPM, NTRS and BAC on this theme.

**Exhibit 1: Top Ideas across the Financials sector (priced as of the market close of May 21; \$ millions, except per-share data)**

Company name	Ticker	Analyst	Sector	Market cap (current)	Price	Target price	Upside/downside to target price	Key Financials investing themes			
								Provision Leverage	Volatility Benefit	Real Estate	Strong Franchise at a discount
<b>Buy</b>											
ACE Limited	ACE	Christopher M. Neczypor	Insurance	16.8	49.94	61.00	22%				✓
Bank of America Corporation	BAC	Richard Ramsden	Banks	160.4	15.99	20.00	25%	✓	✓		✓
BlackRock, Inc.	BLK	Marc Irizarry	Asset Managers	32.5	166.47	200.00	20%				✓
CB Richard Ellis Group Inc.	CBG	Sloan Bohlen	REITS	3.6	15.02	21.00	40%			✓	
CME Group Inc.	CME	Daniel Harris, CFA	Homebuilders	21.2	318.51	380.00	19%		✓		
J.P. Morgan Chase & Co.	JPM	Richard Ramsden	Banks	159.2	40.05	54.00	35%	✓	✓		✓
M.D.C. Holdings, Inc.	MDC	Joshua Pollard	Homebuilders anc	1.5	31.63	44.00	39%			✓	
The Nasdaq Stock Market, Inc.	NDAQ	Daniel Harris, CFA	MktStructure	4.0	18.77	25.00	33%		✓		
Northern Trust Corp.	NTRS	Brian Foran	Banks	12.5	51.88	59.00	14%		✓		✓
<b>Sell</b>											
AMB Property Corp.	AMB	Sloan Bohlen	REITS	3.9	25.57	21.00	-18%				
Jefferies Group Inc.	JEF	Daniel Harris, CFA	MktStructure	4.7	23.35	22.00	-6%				

Source: Goldman Sachs Research estimates.

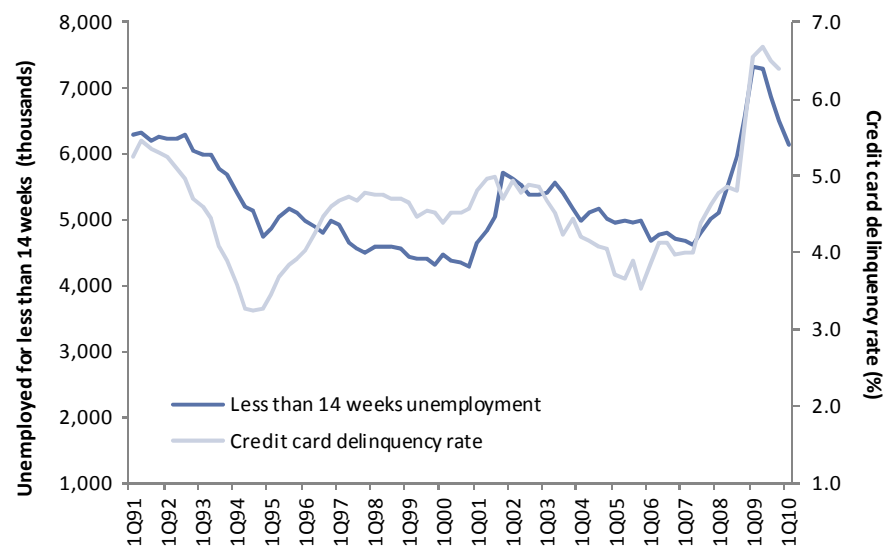
## Big banks: Stay long consumer & capital markets; JPM, BAC stay CL-Buy, Citi up to Buy

**We reiterate Bank of America and JPMorgan Chase at CL-Buy, and upgrade Citigroup from Neutral to Buy.**

There are two themes that keep us positive on universal banks – the turn in consumer credit, and prospects for a good capital markets quarter:

- **Consumer credit continues to improve, driven by declines in early unemployment:** This makes up roughly half the credit cost of the three big banks and thus ongoing improvement should continue to drive reductions in provision expense. This is not a theme that is fully played out, as April master trust data showed a 20 bp decline in overall delinquency (vs. 13 bp normal seasonality) and a 30-59 day delinquency decline of 11 bp (vs. 2 bp of normal seasonality). Thus, provisions will likely further decline in 2Q for consumer books. See Exhibits 2-3.
- **Capital markets benefits from volatility:** Activity levels are elevated particularly in macro businesses such rates and FX. While pegging a “normal” level of fixed income trading has been extremely difficult, we think 2Q is off to a good start. See Exhibit 4.

**Exhibit 2: Early unemployment has likely peaked and is trending down**  
less than 14 weeks unemployed and credit card delinquency rate



Source: Bureau of Labor Statistics, Goldman Sachs Research.

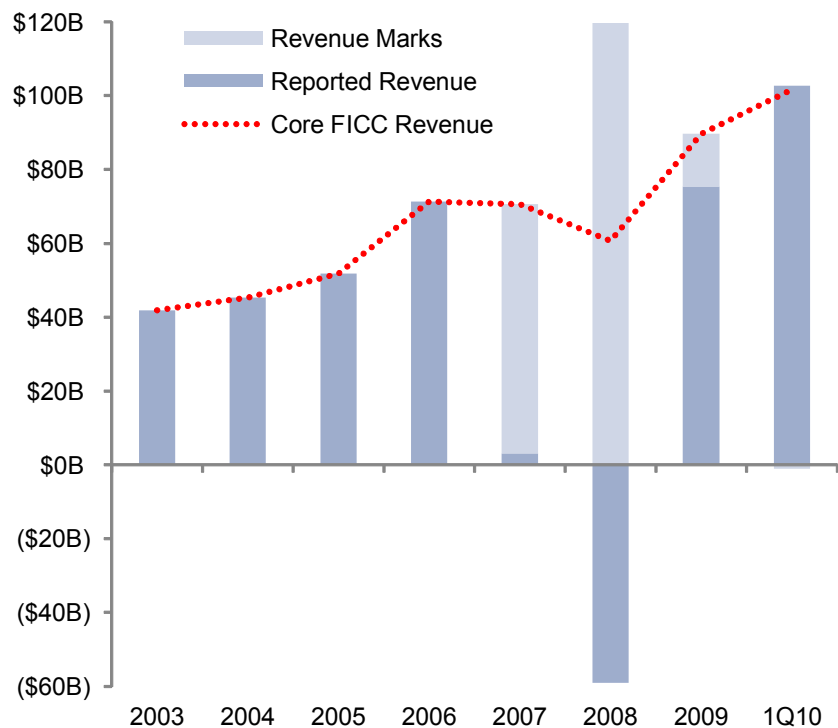
**Exhibit 3: Consumer credit will turn faster than investors realize**  
charge-off ratios for BAC and JPM

\$bn	BAC	JPM	C
1Q NCO	10.8	8.5	8.4
US Card NCO	4.0	4.9	4.0
Auto, Student	1.1	0.2	0.2
<b>US Cons ex real estate % of Total</b>	<b>47%</b>	<b>60%</b>	<b>51%</b>

Source: Company data, Goldman Sachs Research.

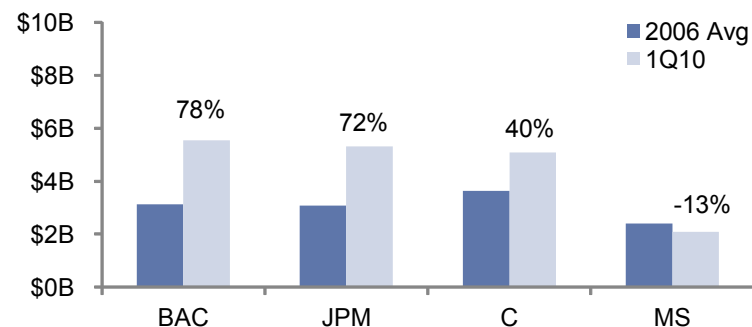
**Exhibit 4: Strong capital markets revenues being driven by FICC trading**

**Large-Cap Bank FICC Trading Revenue**

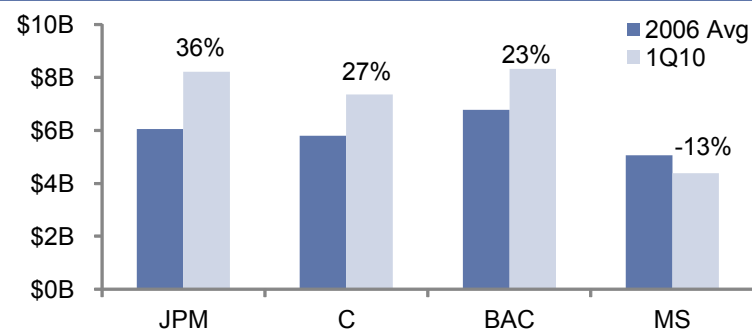


\*: Core revenue excludes CVA, DVA and associated revenue marks.  
1Q10 revenue is annualized.

**1Q10 FICC Trading vs. 2006 Average**



**1Q10 Capital Markets vs. 2006 Average**



\*: Capital markets defined as fixed income, equity and investment banking.  
Data adjusted for acquisitions where applicable.

Source: Company data, Goldman Sachs Research.

An issue that remains on the table for the large-cap banks is resolution authority and the resulting risk of rating agency downgrades. The ratings methodology of S&P and Moody's includes an uplift to ratings due to assumed support from governments in a stress scenario. Resolution authority gives the FDIC power to unwind failing financial firms and explicitly bars the use of taxpayer funds to rescue them. Thus the ratings agencies have said lower ratings could result given increased risk of bondholder losses in a stress scenario.

Specifically, if we focus just on bank-level ratings, BAC, C and MS are all rated as A+ companies by S&P, with three notches of uplift from government support. S&P has not clarified whether, when government support is removed via the passage of resolution authority, ratings will fall three notches, or whether mitigating factors will offset this.

S&P has also said that any company with a long-term rating of A- or below would fall from A1 to A2 in the commercial paper market. Many money market funds cannot buy A2 commercial paper, according to their charters. Moreover, it is harder to repo anything other than ultra-safe government bonds with an A2 rating.

While we recognize the risk of downgrades, we are less concerned about the funding implications as (1) banks' capital and liquidity have improved, (2) short-term funding is 17% of total funding and has shrank 37% since 3Q2007, and (3) cash on balance sheets is high. The risk is likely asset deleveraging – if all the banks and brokers that face this risk shrink their balance sheets, some \$175 billion of deleveraging could result, assuming these banks lose 75% of their CP access and 20% of their repo access (see Exhibit 5).

**Exhibit 5: About \$175 billion of deleveraging could result, assuming big banks lose 75% of their CP access and 20% of their repo access**

\$bn	S&P Rating	Notches of Uplift	CP Outstanding	Repos Outstanding	Short-term Funding	Short-Term Funding % of Liabilities	Change from 3Q07 *	Cash ex Reverse Repos	Assumed Loss of Short-term Funding **				
									CP	Repos	Use of Cash	Net Reduction	% of Total Assets
MS	A+	3	1	175	175	23%	-38%	35	-1	-35	7	-28	-3%
BAC	A+	3	85	271	356	17%	-37%	165	-64	-54	33	-85	-4%
C	A+	3	43	205	248	13%	-48%	189	-32	-41	38	-35	-2%
<b>Total ***</b>	--	--	<b>130</b>	<b>804</b>	<b>934</b>	<b>17%</b>	<b>-37%</b>	<b>417</b>	<b>-98</b>	<b>-161</b>	<b>83</b>	<b>-175</b>	<b>-3%</b>

\*: BAC pro-forma for the MER acquisition.

\*\*: assuming 75% reduction in CP and 20% reduction in repos, offset by 20% of cash outstanding.

\*\*\*: total including other banks and brokers at risk.

Source: SNL Financial, company data, Goldman Sachs Research.

Our normalized EPS estimates adjusted for potential regulatory impact implies that large banks can still generate a return on tangible common equity of 21% which is equivalent to a ROE of 13%. This compares to an average ROE for the banking industry of 15% during the 15 years preceding the crisis (1992-2006) and 11% during the 70 years preceding the crisis (1937-2006). While our implied ROE is higher than the average of the past 70 years it is lower than the past 15 years which we think is attainable. We believe that the benefits of increased scale and efficiency stemming from industry consolidation will partly offset the costs of added regulation, implying that the industry can generate a return higher than the average of the past 70 years but not as high as the past 15 years.

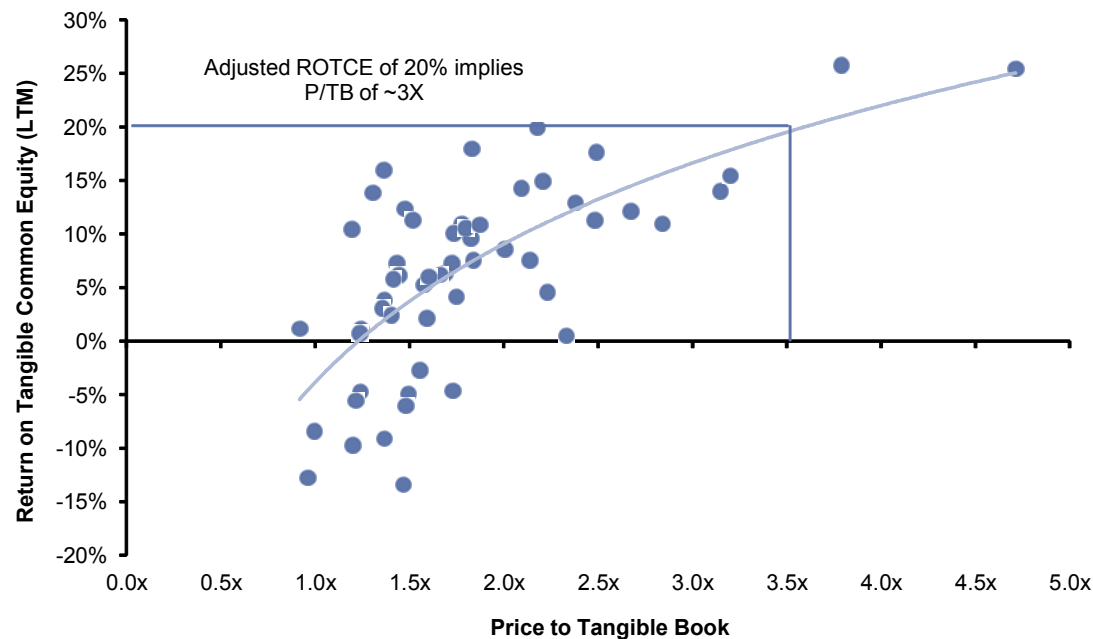
Based on a current regression of price to tangible book and return on tangible common equity of the largest 50 banks, a return on tangible common equity of 20% should yield a valuation of approximately 3X tangible book. As a comparison, the long-term average valuation (over 20 years) for large banks is 3.1X tangible book value and 1.9X book value.

Additionally for the broader group, we prefer banks that are relatively inexpensive on an adjusted normalized earnings basis as well as a price to tangible book + after tax reserves basis. Excess reserves would eventually be deployed into earnings / capital (see Exhibit 7).

**Exhibit 6: Adjusted implied returns for large cap banks**

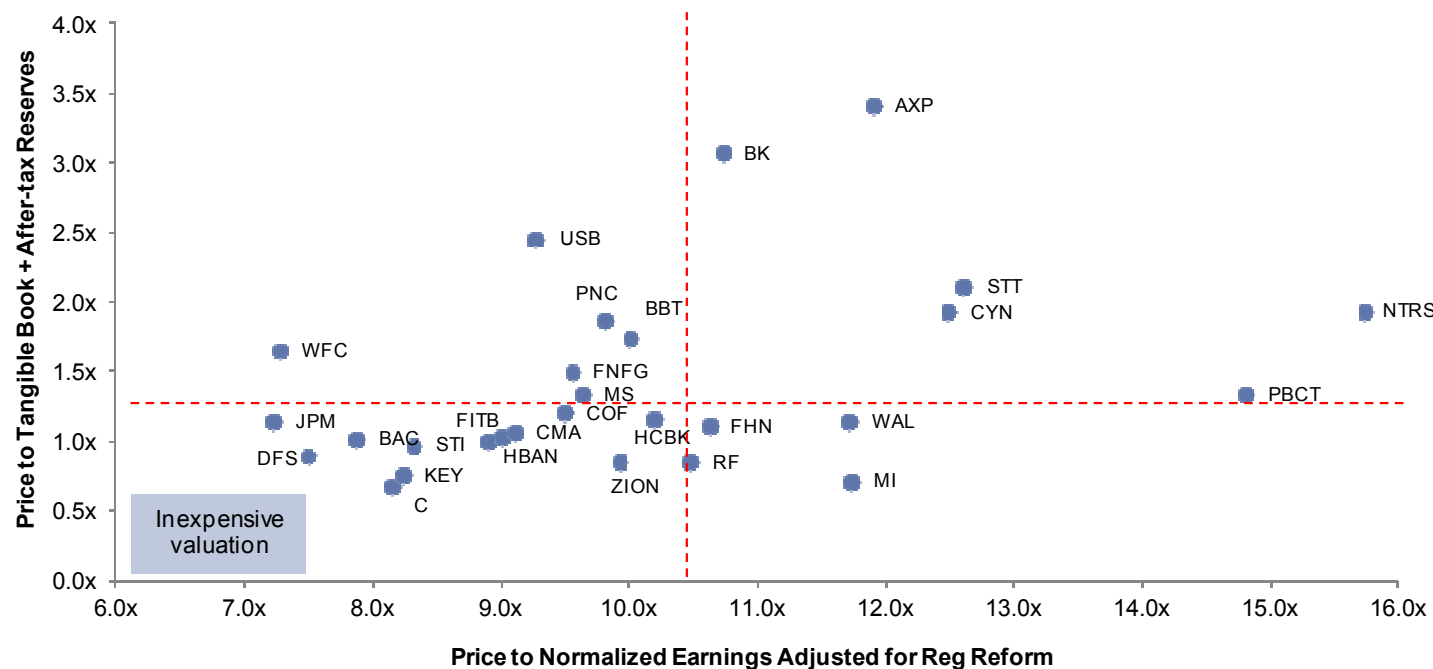
adjustments made for regulatory impacts including: restriction on “prop”, derivatives legislation- Dodd bill, CFPA/ National pre-emption and Interchange legislation

Ticker	Price / Normalized EPS	Price / Adjusted Normalized EPS	Implied ROTCE	Adjusted Implied ROTCE
WFC	6.9x	7.3x	32%	30%
JPM	6.2x	7.2x	25%	21%
BAC	6.7x	7.8x	21%	17%
MS	6.9x	9.6x	21%	15%
C	6.8x	8.1x	13%	11%
<b>Weighted Average</b>	<b>6.7x</b>	<b>8.0x</b>	<b>24%</b>	<b>21%</b>



Source: Company data, Goldman Sachs Research.

**Exhibit 7: We prefer banks that are relatively inexpensive on tangible book + after-tax reserves and normalized earnings**



Source: SNL, FactSet, Goldman Sachs Research.

Our twelve-month price targets for BAC (\$20.00), C (\$4.50) and JPM (\$54.00) remain unchanged. Our price targets are derived based on (1) normalized EPS, (2) a 10X multiple, and (3) discounted 2 years at 10%.

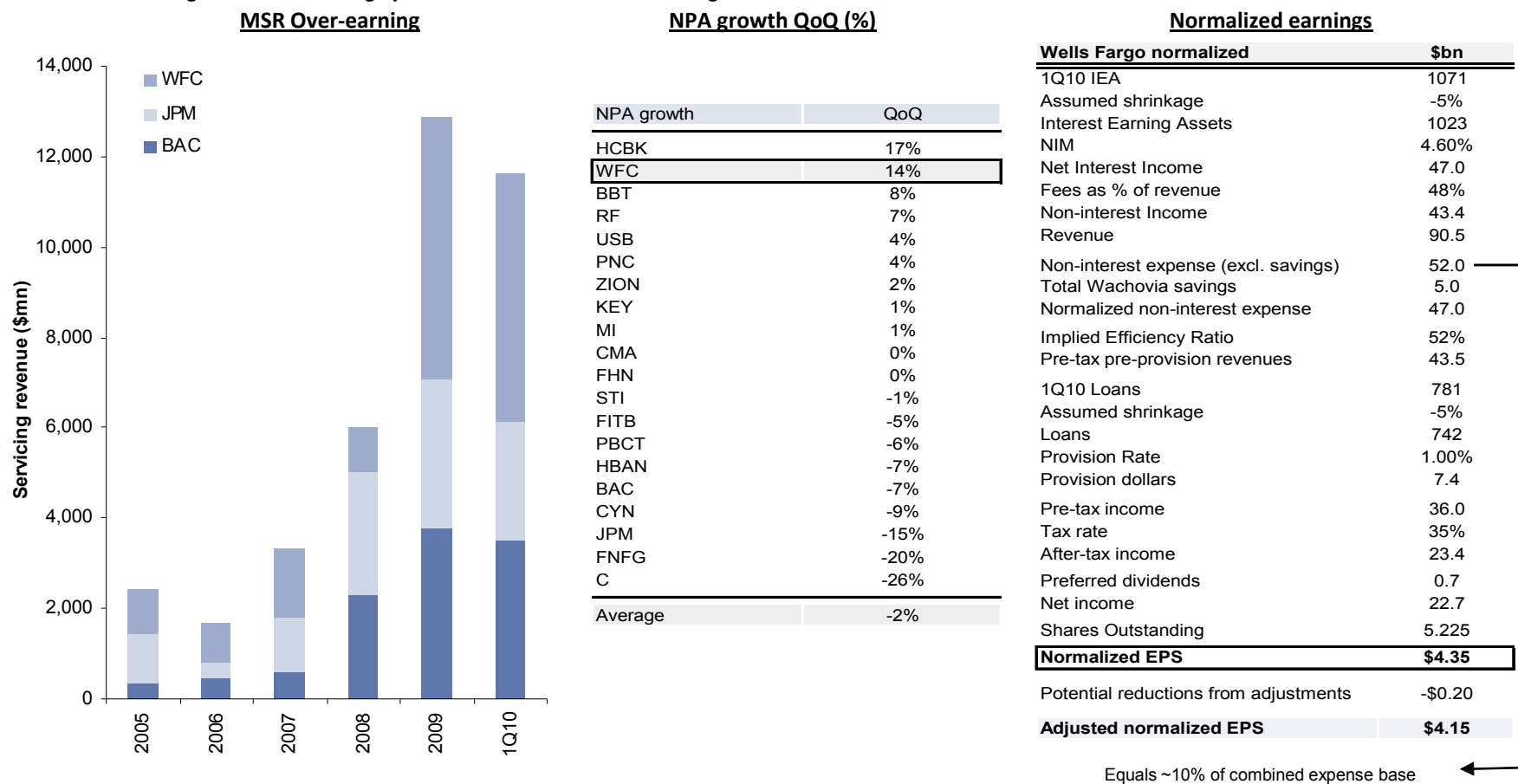
**Key risks** to our price targets include credit deterioration and weaker than expected pre-provision earnings.

## WFC to Neutral – lots of earnings power vs. YTD outperformance + near-term risks

**We are moving Wells Fargo to Neutral.** There is ultimately a lot of earnings power that can drive the shares higher in the near term. That said, we see more relative value in Bank of America, JPMorgan Chase and Citigroup, and there are near-term risks including the over-earning of the mortgage servicing business (most pronounced at Wells) and above-peer NPA growth.

That said, ultimately we think that Wells offers longer-term value with \$4.35 of normalized earnings power without regulation, and \$4.15 adjusted for regulatory risks (see Exhibit 8). Thus, the stock is valued at 7X normalized earnings, which is attractive but moderately less so than the stock of Bank of America, JPMorgan Chase and Citigroup.

**Exhibit 8: Wells Fargo – lots of earnings power but risks need to be recognized**



Source: SNL Financial, company data, Goldman Sachs Research.

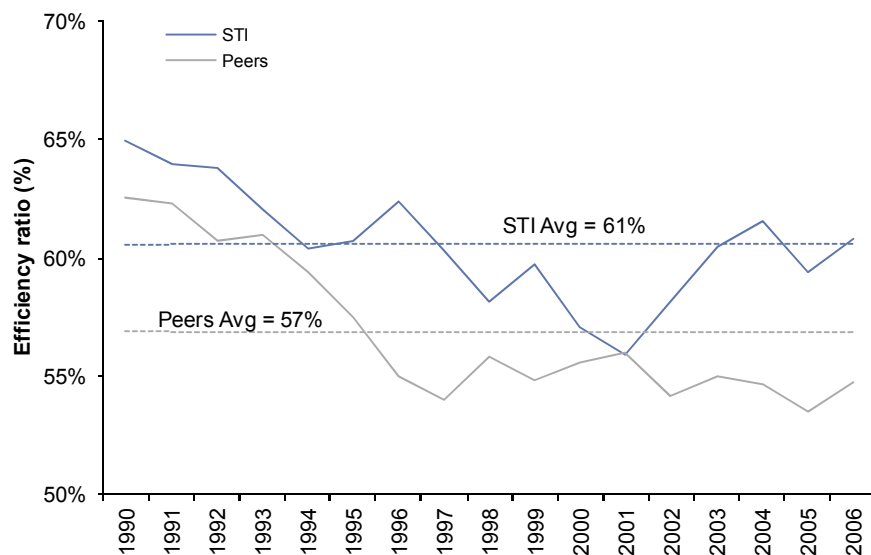
# STI: Long-term thesis with fewer near-term catalysts than NTRS; swap off CL, but stay Buy

**We retain our Buy rating on SunTrust but remove it from our Conviction List in favor of Northern Trust, where we see a near-term catalyst from positive FX trading results in 2Q2010.**

For SunTrust, our positive long-term thesis rests on three tenets:

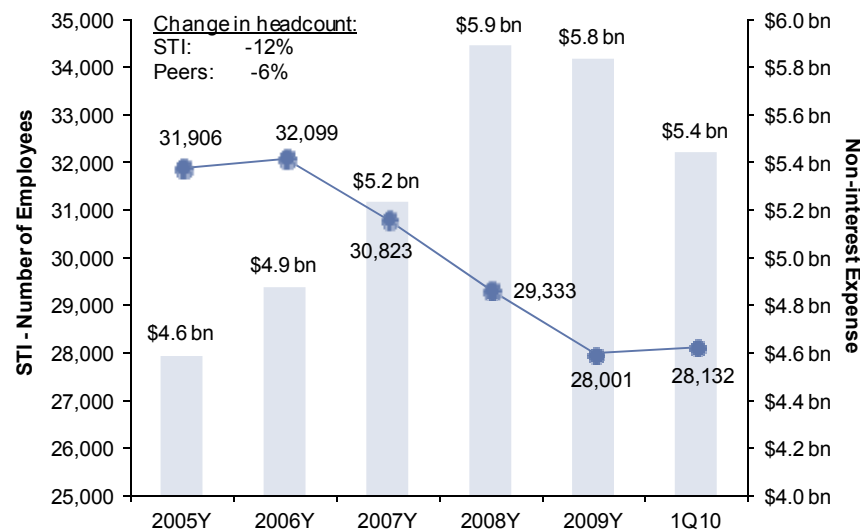
- \$3.50 of normalized earnings power, putting the stock at just under 8X normalized earnings. This implies a 1.1% ROA and a 10% ROE.
- Many investors are at under \$3 of normalized earnings. We think the key difference is the assumed efficiency ratio as we assume a 57% efficiency ratio on the thesis that STI has become structurally more efficient, while many investors assume STI will go back to its historical 60-65% efficiency ratio. What this misses, in our view, is the 12% reduction in headcount this cycle at the company. See Exhibits 9-10.
- Many investors worry that SunTrust’s credit improvement will lag the industry given 75% of charge-offs and credit related expenses are housing related, and 1/3 of the company is in Florida. Our roll-rate analysis suggests that credit has already peaked and will continue to come down with all buckets now showing negative quarter-over-quarter change. See Exhibit 11.

**Exhibit 9: STI has been consistently more efficient than peers**  
efficiency ratio for STI vs. peers



Source: SNL Financial, company data, Goldman Sachs Research.

**Exhibit 10: SunTrust headcount down 12% since 2006**  
STI headcount and non-interest expense

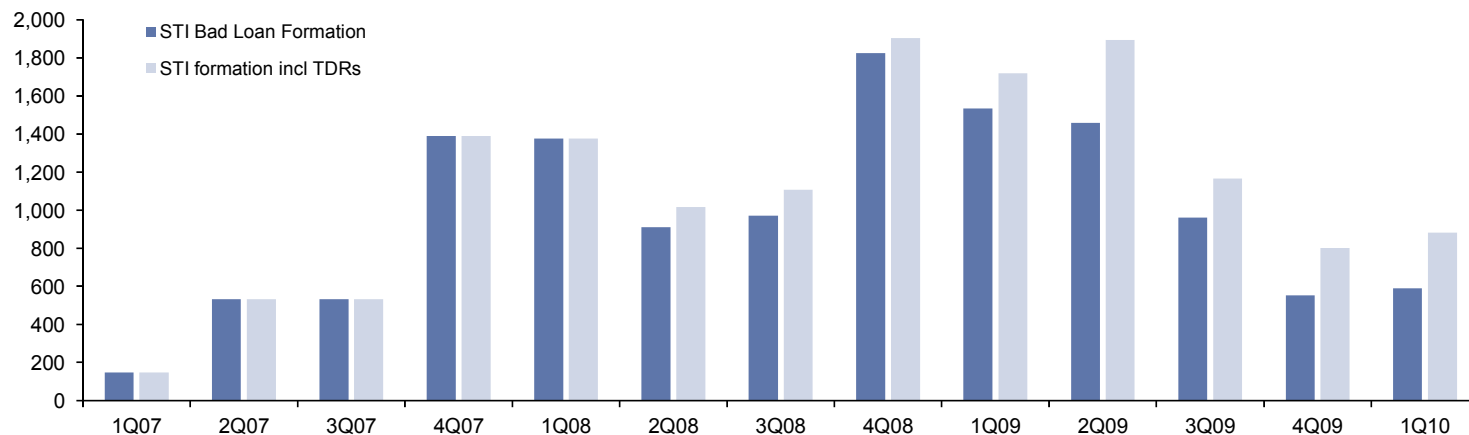


Source: SNL Financial, company data, Goldman Sachs Research.

**Exhibit 11: SunTrust credit losses have likely peaked**  
asset quality trends and bad loan formation at SunTrust

QoQ, \$mm	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10
30-89	-90	241	122	482	4	-15	66	366	-114	-290	-127	-219	-196
90+	18	79	46	116	133	10	19	260	309	69	98	-9	-25
Non-accr	134	99	238	599	916	561	467	617	692	845	-55	-89	-54
Charge-off	-99	27	15	65	131	33	64	163	64	189	210	-177	-4
Accruing TDRs	0	0	0	0	0	106	135	77	186	433	204	249	293
NPA Sales	47	-47	0	0	6	-6	152	-148	20	47	-55	60	24

**BAD LOAN FORMATION = GROWTH IN DELINQUENCIES + GROWTH IN NON-ACCRUALS + CHARGE-OFFS**



Source: SNL Financial, call report data, company data, Goldman Sachs Research.

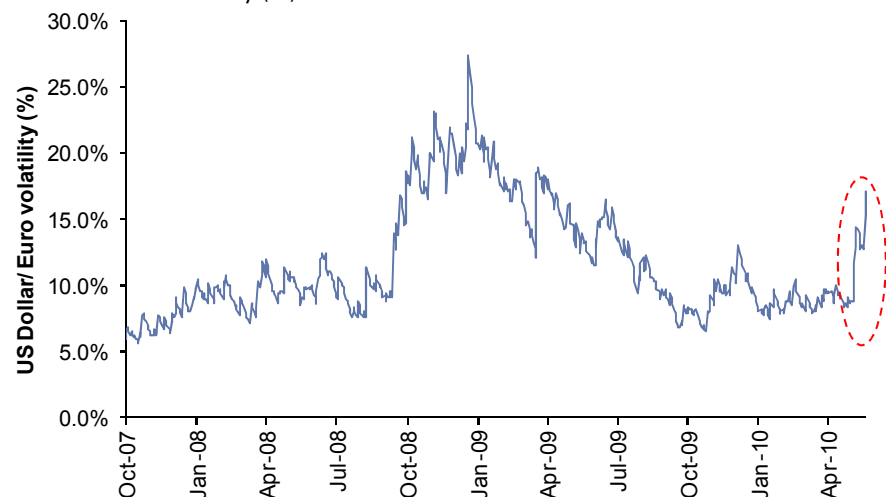
# NTRS: Upgrade to CL-Buy on back of elevated FX volatility, strong balance sheet

Trust banks are equally levered to three themes – equity markets, interest rates and foreign exchange volatility. We recently upgraded NTRS to Buy and now add it to our Conviction Buy List as FX volatility has risen, likely driving higher FX trading revenues in 2Q. If elevated FX volatility persists, this should break negative revision trend which have plagued trust banks for the past year.

While all three trust banks offer FX volatility leverage, we choose Northern based on: (1) best-in-class capital with 8% tangible common equity vs. 6% for others, plus the lowest risk securities portfolio, and (2) more earnings sensitivity to FX trading (returning to 1H2009 levels adds 11% to NTRS EPS estimates vs. 3-5% for other trust banks). See Exhibits 12-14.

**Exhibit 12: FX volatility picks back up**

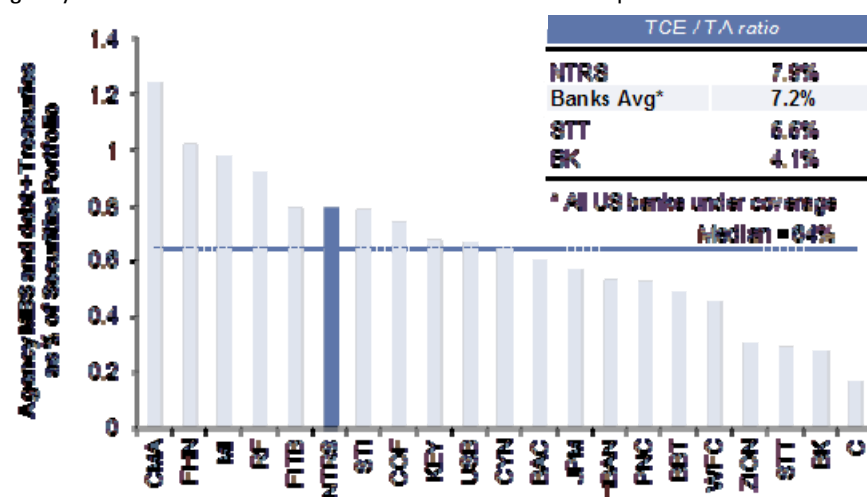
us dollar/ euro volatility (%)



Source: Markit, Goldman Sachs Research.

**Exhibit 13: Northern has the lowest risk securities portfolio**

agency MBS + debt and treasuries as % of total securities portfolio



Source: SNL Financial, Company data, Goldman Sachs Research.

**Exhibit 14: Northern is likely the biggest beneficiary if higher FX volatility were to persist for the rest of the year based on Goldman Sachs Estimates**

\$mm	1H09 Avg FX Trading	Old 2Q-4Q10E FX Trading	Revenue Difference	2010 EPS Impact*	GS Old 2010 EPS Est	GS EPS w Higher FX trading	% Change
NTRS	133	83	50	\$0.32	\$2.95	\$3.27	11%
STT	191	146	45	\$0.14	\$3.00	\$3.14	5%
BK	230	185	45	\$0.06	\$2.20	\$2.26	3%

\* Tax effected at 35% and assuming 25% of incremental revenue paid out; assumes higher rate of vol for 2/3 of 2Q and all of 3Q and 4Q - i.e. 2.67 quarters.

Source: Company data, Goldman Sachs Research.

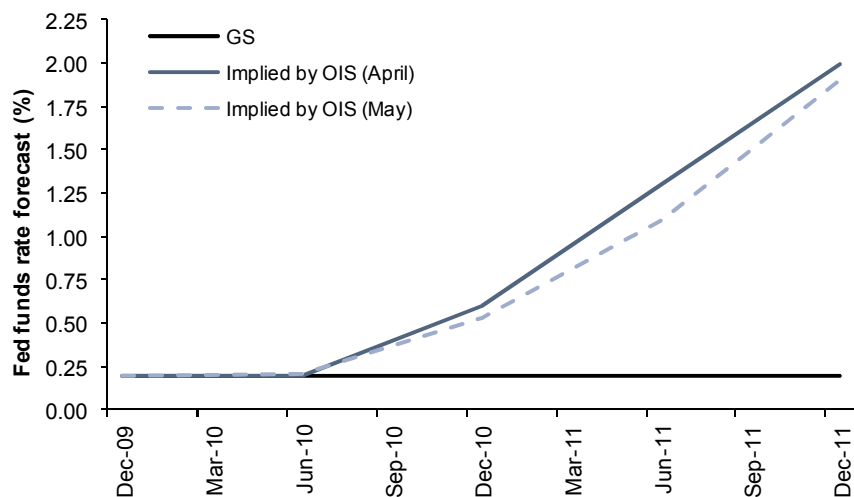
## CMA: to Neutral from Buy – a lot to like, but rates lower for longer + C&I confidence risk

We are downgrading Comerica from Buy to Neutral. There is a lot to like including insulation from regulatory risk plus a very strong balance sheet with tangible common equity at 9%, set to head to 10% over the next year.

That said, upside to our target is somewhat modest at about 15% and the main catalysts from here for a resumption of normalized earnings are (1) rising rates, which will bring the net interest margin back to normalized levels – given recent events, the Goldman Sachs economists’ forecast for 0-25 bp Fed Funds until 2012 seems even more likely; and (2) the decline in commercial (C&I) loan growth, which is showing tentative signs of bottoming, but which ultimately is based on commercial clients’ confidence to borrow money to invest in their businesses – and thus would seem to be one part of regional banks’ business that actually could be hurt by the uncertainty factor from Europe. See Exhibits 15-18.

**Exhibit 15: GS economists have out-of-consensus view on rates staying low**

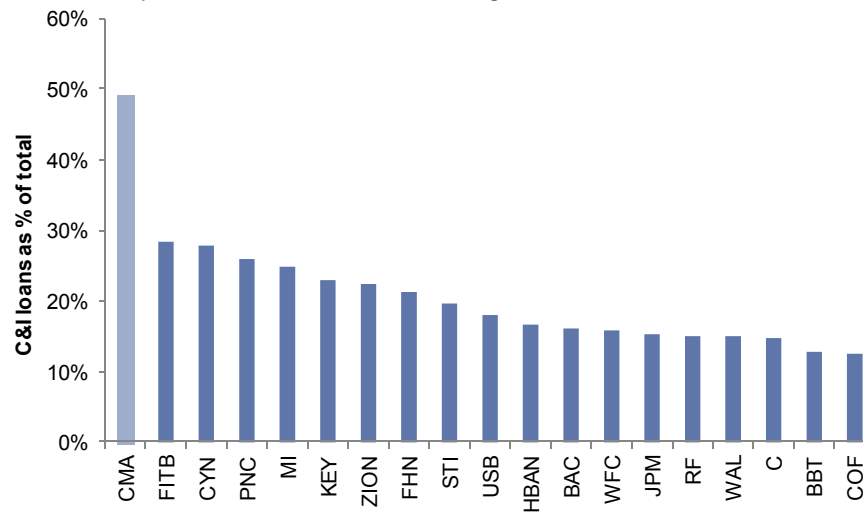
...but market view shifting out too



Source: SNL Financial, Company data, Goldman Sachs Research estimates.

**Exhibit 16: CMA has highest C&I exposure**

C&I loans as percent of total loans outstanding



Source: SNL Financial, Call report data, Company data, Goldman Sachs Research.

**Exhibit 17: Comerica capital levels to remain high**

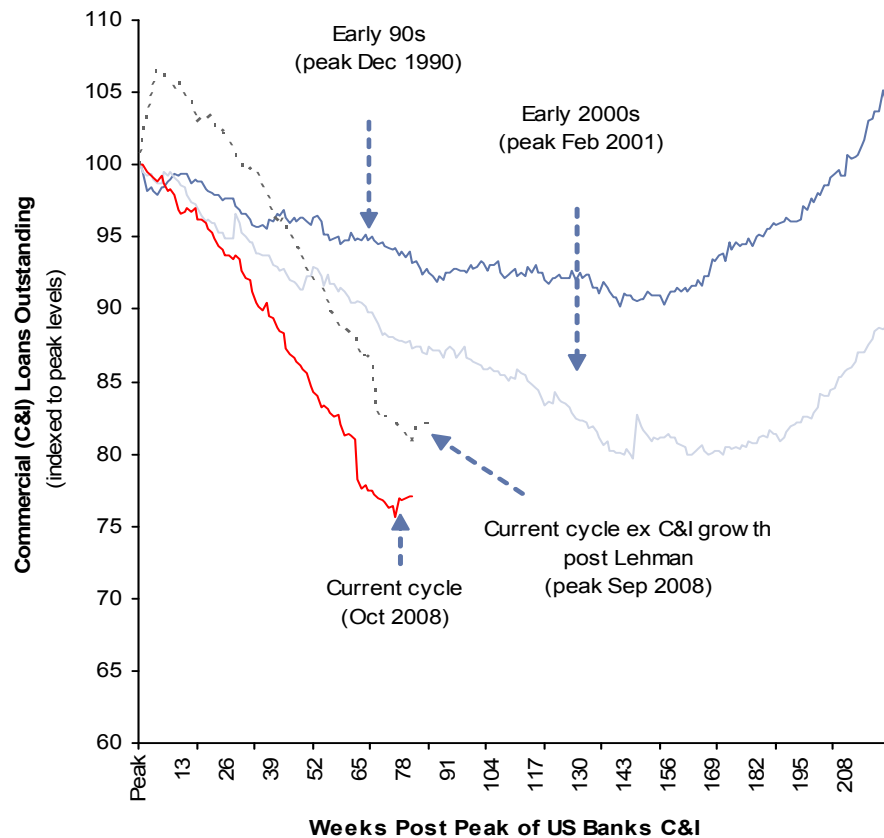
tangible common equity to tangible assets ratio for Comerica

Quarter	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10 E	3Q10 E	4Q10 E	1Q11 E	2Q11 E	3Q11 E	4Q11 E
TCE ratio (%)	8.0%	7.6%	7.5%	7.6%	7.2%	7.3%	7.6%	8.0%	8.0%	9.7%	9.7%	9.8%	9.9%	10.0%	10.1%	10.3%	10.5%

Source: SNL Financial, Company data, Goldman Sachs Research.

**Exhibit 18: C&I loan shrinkage has contributed to 40% of loan shrinkage cycle to date; Banks have started seeing stronger C&I demand**

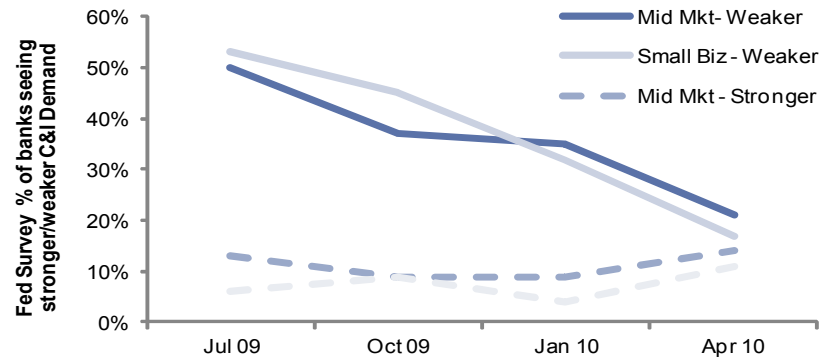
**C&I vs. prior cycles:**



**C&I as % of total loan shrinkage**

	\$BN	% of Total
4Q08 Loans (cycle peak)	7,750	
2009 decline from charge-offs and OREO	-195	23%
Declines from C&I shrinkage	-327	39%
Declines from Credit card shrinkage	-104	12%
Decline in real estate loans	-103	12%
All other declines	-106	13%
<b>Total decline since 2008 year end</b>	<b>-835</b>	<b>100%</b>
% change from peak	-11%	
Apr 2010 Loans	6,915	

**Net demand closer to turning positive:**



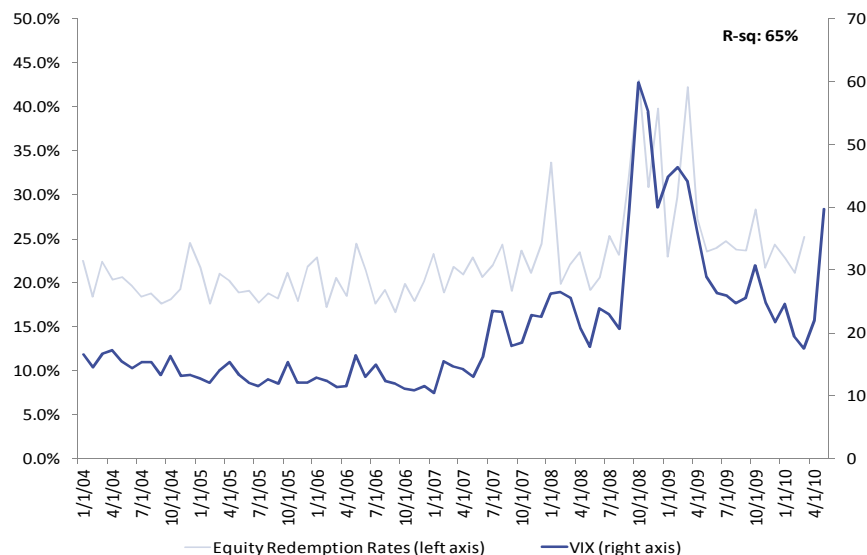
Source: Federal Reserve, Goldman Sachs Research.

## Downgrading Asset Managers Coverage View to Neutral from Attractive

We shift our coverage view to Neutral from Attractive and lower estimates and price targets by 7-8% and 10%, respectively across the board to reflect a more subdued near-term outlook for higher-fee fund flows and the impact of a sharp equity market decline. Volatility amid an approaching seasonally softer flow period is incompatible with a retail equity fund flow recovery (see Exhibits 17-18). In fact, according to our analysis, equity mutual fund redemption rates exhibit a 65% R<sup>2</sup> with the VIX (a gauge of Vol) and a VIX level of 45 suggests a 34% redemption rate (or 50% higher than average). The relationship between redemptions and volatility is coincident - therefore as the VIX remains elevated we expect concurrent elevated gross outflows to endure over the near-term. As a result, we prefer to avoid retail-equity focused firms, such as JNS and CLMS, and instead favor diversified and institutional managers, such as BLK, with solid risk/ rewards. Valuations offer some solace with an average 10%-15% upside to the stock and more than 20% upside on average to our Buy rated names. Below is a summary of the rating changes we have made across the group. See our Asset Management note "Volatility and seasonality drive re-positioning; shift Asset Manager sector view to Neutral" from this morning for more details.

**Exhibit 19: Market volatility drives higher equity fund redemptions**

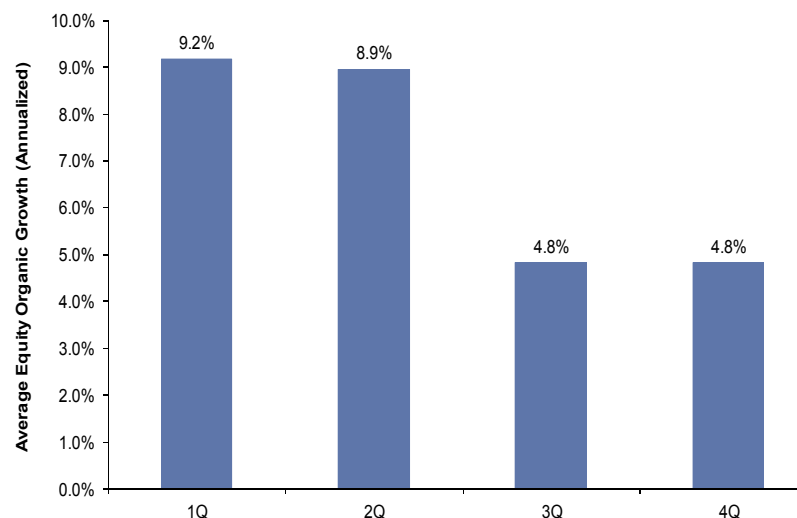
Equity mutual fund redemption rates vs. VIX



Source: Investment Company Institute Data, Goldman Sachs Research.

**Exhibit 20: Seasonal trends suggest we are heading into slower flow quarters**

Equity organic growth rates tend to be the strongest in 1Q and 2Q



Source: Investment Company Institute data, Goldman Sachs Research.

### **BlackRock (CL Buy, \$200 price target): diversification, institutional exposure + valuation = CL Buy**

Concerns over BlackRock's growth potential are now, in our view, fully reflected in the stock (which is now trading in line with peers on 2011E P/E compared to a historical premium of 22%). However, investors still underestimate the potential for BLK's multiple gap to revert to its historical norm as organic growth re-accelerates and outstrips peers into 2H2010 driven by its institutional exposure (88% of AuM) and mix of alpha-oriented alternatives, beta products (ETFs), and multi-asset strategies. We look for quarterly

earnings reports and flow datapoints as catalyst to affirm our stance. Our 12-month P/E based price target is \$200; key risks include market performance and lower than expected organic growth.

**Franklin Resources (Buy, \$120 price target): remove from CL, retain Buy - attractively valued gainer, but retail biased**

We continue to recommend buying shares of BEN on pullbacks with ample upside to our \$120, 12-month P/E based price target. We view the firm as a flow share “gainer”, trading at an attractive multiple of just 15X fiscal 2011E P/E. BEN’s strong balance sheet (\$3 billion in cash) and ample free cash flow generation afford the firm financial flexibility for share buybacks (10% of market cap in cash), dividends, or accretive acquisitions. Over the near term, however, BEN’s higher retail mix (70% of AUM is retail) suggests equity flows could be choppy in the coming quarters, offset by the fact that about 50% of AuM (and nearly 100% of flows) are in stickier (and still-flowing) fixed income-oriented funds. Our 12-month P/E based price target is \$120, down from \$136 on lower estimates. Key risks: deceleration in bond flows, significant exposure to non-US investments.

**Blackstone (Buy, \$16 price target): remove from CL, retain Buy; still compelling risk/reward, despite markets choppiness**

We had expected investors to re-value BX shares based on the earnings optionality in its business model and for the stock to reflect the benefits of exposure to two key themes: (1) growth of institutional interest in alternative asset classes, and (2) pro-capital markets cyclical. However, we underestimated the near-term sustainability of the improvement in the capital market cycle and asset values, and given widening credit spreads, we see near-term earnings headwinds. However, our conviction in the longer-term investment rationale for BX shares is intact and we now view the risk/reward as highly attractive (5-to-1 upside to downside), keeping us at Buy. Our 12-month P/E-based price target is \$16, or 45% upside from current levels. Conversely, we believe BX shares are trading only within 10% of the “floor” valuation, based on its fee-related earnings and balance sheet net cash/investments. Key risks include deteriorating credit or equity market conditions may forestall LBO and IPO activity and lower BX’s private equity and real estate valuations.

**Federated Investors (Sell, \$21 price target): remove from CL, retain Sell rating**

We believe FII shares remain a relative underperformer and forecast 6% downside to the shares over the next 12 months versus an expected 15% average upside for the sector. Our outlook reflects the continued share losses of money market funds over the next several quarters amid our outlook for a continued low rates environment and FII’s relatively lower earnings growth profile. That said, we are removing the shares from the CL given the volatility in risk asset classes and potential for a slowing, albeit temporary, the rate of change in outflows trends and improving fee waivers amid an uptick in LIBOR. Our 12-month P/E-based price target is \$21, or 6% downside from current levels. The key risk to our sell rating is rising interest rates driving flows back into money market funds.

**Janus Capital Group (Sell, \$10 price target): downgrade to Sell from Neutral on retail equity woes**

We suggest underweighting shares of retail-focused firms generally amid an expected uptick in equity redemption rates and believe JNS shares are likely to relatively underperform the group, as 75%/95% of Janus’ assets are retail/equities, respectively. Overall AuM levels and fee revenues are under pressure amid the sharp market correction and uptick in outflows, while incremental re-investment in the business (suggesting expense stickiness) will likely pressure near-term operating margins. As a result, we see risks to both Street’s estimates (we are about 20% below consensus) and the stock’s P/E multiple amid lingering INTECH outflows and accelerating retail equity redemptions. We lower our 2010/2011/2012 EPS estimates to \$0.61/\$0.68/\$0.85 from \$0.79/\$0.97/\$1.20. Our 12-month P/E based price target goes to \$10 from \$15 on lower estimates. Key risks: equity markets rally; better than expected expense management.

**Calamos (Sell, \$11 price target): downgrade to Sell amid recent performance slippage; high retail/equity concentration**

We downgrade shares of CLMS to Sell from Neutral as we expect recent market volatility, coupled with the firm's heavy retail equity exposure to pressure flows in the coming quarters. Following significant cost reductions over the last two years, we believe the firm has little margin flexibility amid potential top-line pressures leading to negative earnings revisions from the Street. Further, the recent slippage in the firm's performance (most of CLMS equity fund assets slipped into the second quartile from the first as of April on a one-year basis versus the end of 2009) could put incremental pressures on organic growth against the already-difficult backdrop for equity flows into 2H2010. Roughly 75pct of CMLMS's AUM is retail with over 80pct equity. We lower our 2010/2011/2012 EPS estimates to \$0.74/\$0.87/\$1.03 from \$0.94/\$1.07/\$1.21 on lower expected flows and margin pressure. Our 12-month P/E based price target goes to \$11 from \$13.50. Key risks: better than expected cost controls, reacceleration of inflows.

**Artio Global Investors (Neutral, \$23 price target): downgrade to Neutral amid continued performance headwinds**

We downgrade shares of Artio to Neutral from Buy and lower our 12-month P/E based price target to \$23 from \$31. While we believe ART's current 12X forward P/E multiple still offers attractive long-term value, the stock will likely be range-bound in the near term amid continued concerns over European equities and the firm's investment underperformance in International Equities I and II (81% of AUM). Specifically, Artio's pro-cyclical positioning in IE I and II, coupled with big exposure to Europe, extended the firm's underperformance versus benchmarks in 2010. Equity assets represent over 80pct of Artio's AUM and about 30pct of AUM is retail. Following a difficult 2009, we believe further performance weakness in 2010 could add incremental redemption pressure in the coming quarters, keeping the multiple grounded. We lower our 2010/2011/2012 EPS estimates to \$1.73/\$1.81/\$2.12 from \$2.00/\$2.37/\$2.63 on performance weakness (ART's equity fund performance is down about 14% 2QTD) and weaker flow assumptions. Our 12-month P/E-based price target goes to \$23 from \$31 on lower estimates. Key upside risks: rally in European equities; downside risks: acceleration in outflows.

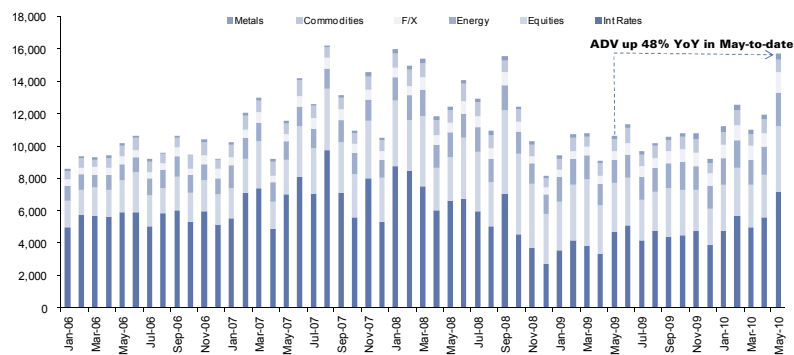
## CME Group: positioned to benefit from regulatory reform; adding to CL-Buy List

We are adding CME Group to the America’s Conviction Buy List with a \$380 price target, implying 19% upside from current levels. While recent volume trends lead us to materially increase our 2Q10 EPS estimate (to \$4.42 from \$3.92), we also add CME to the CL-Buy list to take advantage of its position as one of the leading clearing houses globally with trading exposure to interest rates, foreign exchange, and equities; the firm is positioned to offer transparency and clearing value to regulators and clients. Our \$380, 12-month price target assumes that CME will trade at 21X our 2011 estimate of \$18.50, and a PEG of 1.2X (17% EPS estimated growth). There are three primary reasons for increasing exposure to CME (also see Exhibits 21-22):

- 1. Interest Rate Swap clearing closer to a reality:** We expect the pending interest rate swap clearing platform to launch in the near term, which we believe will be viewed as a positive catalyst. We have previously estimated the opportunity for clearing US interest rate swaps for clients could reach \$100-400 million annually, and CME is likely to attract a significant part of that revenue given its strength in Treasury and Eurodollar futures activity. Revenues are unlikely to impact 2010, but could start to accrete beginning in 2011.
- 2. Regulatory reform largely an incremental positive:** regulatory reform remains uncertain and could change, but incrementally it is difficult to envision a scenario in which more transparency, more clearing, and more electronic trading do not positively affect CME’s business. Moreover, new capital rules could lead to lower costs for exchange-traded product versus off-exchange.
- 3. Core business fundamentals very robust:** the recent uncertainty in European sovereign markets has driven elevated trading in interest rate, F/X, and equity futures/options. May 2010 activity is running 56% higher than May 2009 levels, and while we do not expect this trend to persist at the current magnitude, it could lead to higher 2Q and potentially 3Q ADV than we had previously estimated. We increase our 2010/2011 estimates to near Street-high levels, which imply 17% annual EPS growth through 2012.

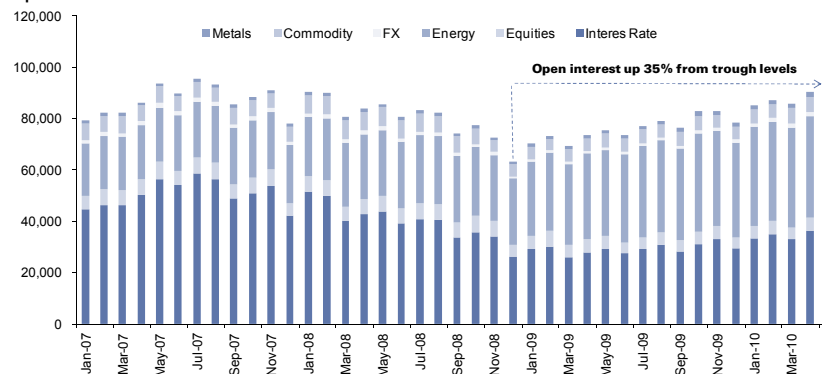
**Risks** include lower volume trends, lower than expected impact from new initiatives (OTC, Dow Jones, international), increasing level of competition, or inability to manage expense growth relative to revenue growth.

**Exhibit 21: CME volume trends are up 48% in May 2010, after a 31% YoY increase in April volume (YoY % change)**  
ADV in '000s



Source: CME Group, Goldman Sachs Research.

**Exhibit 22: And the growth in open interest suggests that solid recent ADV may be sustainable and in fact continue to grow**  
Open interest in '000s



Source: CME Group, Goldman Sachs Research.

# NDAQ: continue to favor NDAQ for initiatives, market structure improvements, valuation

We reiterate our Conviction List buy on Nasdaq OMX Group, and highlight the positive impact of volatility on near-term volumes as we increase our 2Q10/2010 EPS estimates to \$0.50/\$1.97 from \$0.48/1.95, though we note falling F/X levels (Euro down 5% QoQ and SEK down 2%) may offset some of this strength. Our 12-month, \$25 price target assumes NDAQ trades at 11X our 2011 estimate of \$2.35, higher than its current 9.4X multiple on our 2010 estimate but well below its 3-year average forward P/E multiple of 15X, and the global exchange forward multiple of 14X (see Exhibits 23-24).

**1. Volume trends robust in 2Q2010:** Equity and derivative trading volumes have been exceptional in 2Q2010, supporting our increased earnings estimates. US equity volumes are up 26% MoM and 9% relative to last May, while US option volume of 19.2 million contracts per day is up a solid 29% YoY. More importantly, changes NDAQ has made in its European equity and derivative businesses are handling higher volatility and delivering exceptional volume – OMX equity transactions are up more than 60% YoY as the launch of INET and Nordic central clearing are driving increased platform usage. European derivatives, which also benefit from taking trading volumes from EDX back onto the OMX platform, are also up more than 20% MoM.

**2. Positive view on NDAQ owes to the leverage of new initiatives, stable market share:** As we note, near-term volume trends are not our fundamental thesis, but a nice support to our positive view on initiatives. We point to at least four initiatives that support our view on a strategic level: (1) new EU technology/clearing structure, (2) derivatives on new UK power market, (3) IDCG in the US for interest rate swaps, and (4) the \$300 million announced share repurchase and debt retirement package. These initiatives lead to our 2010E-2012E CAGR of 15%, relative to a 9X current forward multiple and 11% operating free cash flow yield.

**Risks** to our rating and price target include lower volumes/market share, inability to leverage new initiatives, lack of repurchase.

**Exhibit 23: The average QoQ and YoY growth of trading products is up 22-24% relative to 1Q10 and 2Q09, respectively, driving our increased estimates**  
US products in mn, EU products in 000s

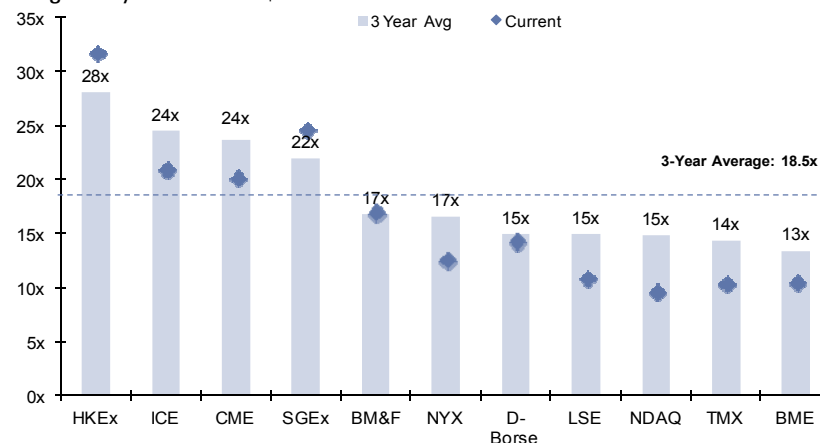
	Industry Trading Volume (ADV)						
	2Q09	3Q09	4Q09	1Q10	2Q10E	Q/Q	Y/Y
US Equity (mn)	10,685	9,313	8,212	8,637	10,669	24%	0%
US Derivatives (mn)	14.2	13.2	12.9	13.9	16.9	22%	19%
EU equity Trading (000s)	230	189	216	279	355	27%	54%
EU Derivatives (000s)	497	452	501	529	610	15%	23%
Average						22%	24%

	U.S. Market Share						
	2Q09	3Q09	4Q09	1Q10	2Q10E	Q/Q	Y/Y
US Equity	21.2%	22.0%	24.0%	23.9%	22.8%	(114)	164
US Derivatives	21.4%	20.3%	22.5%	24.0%	25.1%	114	372

Source: Factset, BATS, Goldman Sachs Research.

**Exhibit 24: Despite positive growth initiatives, NDAQ trades well below its 3-year average forward P/E multiple of 15X**  
average daily volumes in \$ mn



Source: Factset, Goldman Sachs Research.

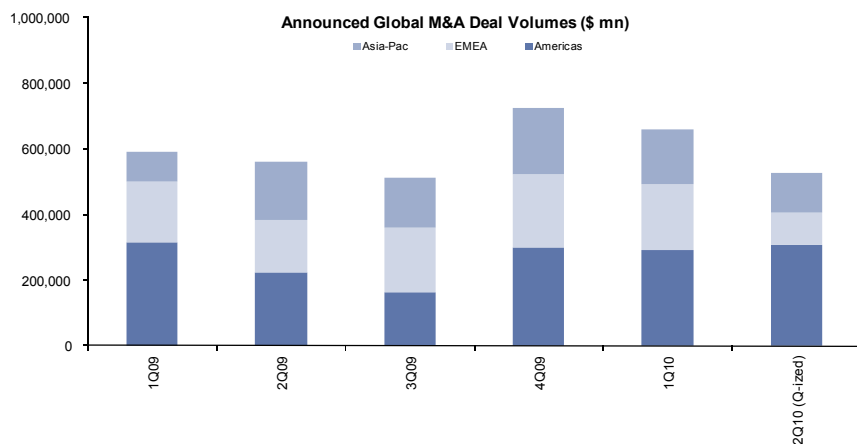
## EVR: remove from CL-Buy List as activity may wane, but still like the longer term story

We remove EVR from our CL-Buy list but retain our Buy rating on concerns surrounding: (1) the impact of the recent equity market pullback; (2) less favorable credit market conditions (high yield credit spreads have widened by over 120 bp or 50% QTD, the most since 3Q2008), and (3) Eurozone uncertainty, which may dampen M&A activity until conditions stabilize. In addition, following the 11% pullback in the S&P 500 over the past month, we lower our estimated asset management revenues as fee-based assets have likely fallen alongside the erosion in the broader markets. We lower our 2011-2012 EPS estimates to \$2.15/2.80 from \$2.25/3.00 to reflect lower advisory levels and asset levels in the firm's asset management business. We also lower our 12-month target price to \$38 from \$40 to reflect a lower 2011 EPS estimate. EVR currently trades at 21X our 2010 estimate, and our \$38 target price is based on an 18X multiple on our 2011 EPS estimate.

**Remain at Buy because EVR is well positioned to deliver solid earnings growth through 2012:** We estimate annualized operating EPS growth of 47%, driven by recent hiring, improving M&A volumes, and an ongoing turnaround in asset management. Although we are not changing our 2010 EPS estimate of \$1.50, we increase our 2Q2010 EPS estimate to \$0.41 from \$0.33, as we expect a solid level of completions (backward-looking) in the quarter. To date, EVR has two completed transactions in the quarter, but we expect another six deals to close before quarter end, yielding \$72 million in 2Q2010E advisory revenue. Over the past 13 quarters (but excluding 2Q2009), EVR's actual revenue has been more than double (109%) the estimated revenues from public deal databases. Despite what we expect will be a solid 2Q2010, there are only four transactions in the backlog, three of which are expected to close in 2H2010. While this backlog is likely to build over time, a slowing pace of M&A announcements could weaken second half results. See Exhibits 25-26.

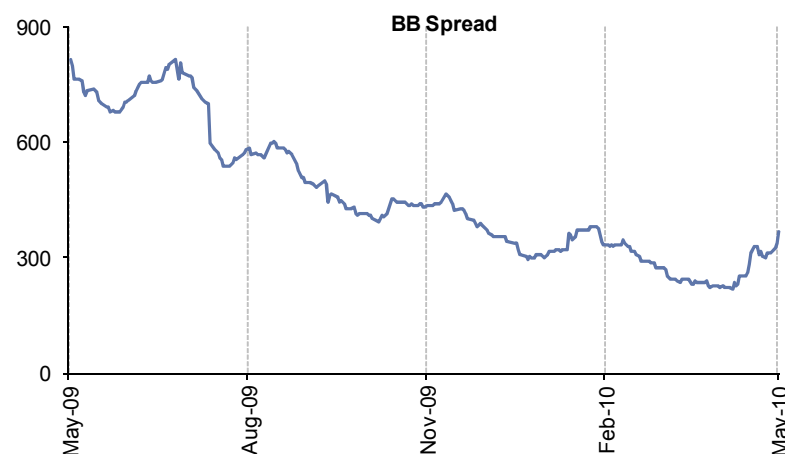
**Risks** to our rating and price target include lower M&A activity, lower asset management revenues, and higher expenses.

**Exhibit 25: After a solid start to 2010, the pace of announced global M&A has slowed due to declining volumes in EMEA...**  
quarterly announced M&A in \$ mn



Source: Dealogic, Goldman Sachs Research.

**Exhibit 26: ...and widening credit spreads may hinder deal financing**  
BB index credit spreads vs. 10 year Treasuries in bp



Source: Factset, Goldman Sachs Research.

# CBG: Reiterate CL Buy as credit "stress" may drive higher sales activity

We favor CBG's leverage to the US CRE transaction market and would be aggressive buyers of the stock following the recent 12% sell off over the past month. **We now see 40% upside to our unchanged target price of \$21.**

### Investment positives:

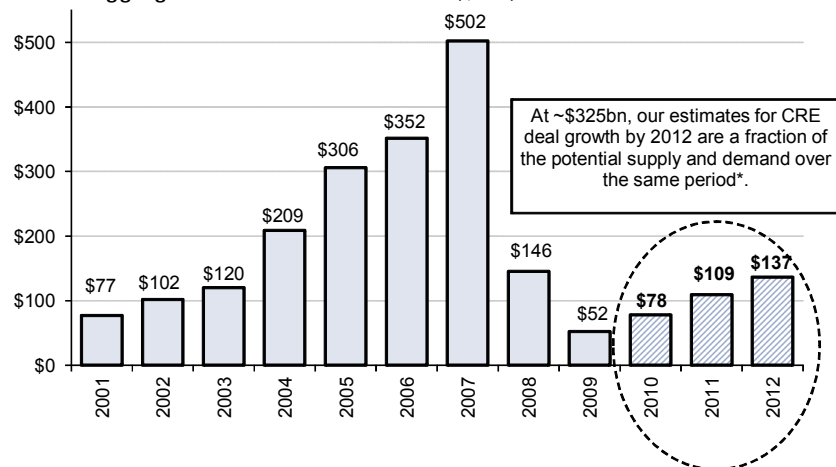
- **US CRE sales – Big supply being met by demand** – Assuming leverage of 60% LTV, we note that \$600 billion of buying power is available for US CRE asset investment. This figure is more than double what our CBG model assumes also just a fraction of previous activity levels (see 2004 / 5 in Exhibit 27).
- **Banks have more options than just "amend and extend"** – "Amend and extend" loan modifications slowed CRE sales activity but banks now have more options as credit has improved and recapitalization has occurred.
- **The potential for rising rates may spur activity** – Lower interest rates allowed for debt service coverage to be maintained despite weaker fundamentals and property cash flow. If Libor rates were to back up from global credit distress, we believe the positive effect of higher "distressed" asset sales would outweigh the notion that financing for new buyers would dry up.

### Valuation and key risks:

- We retain our target price of \$21 based on 16X our 2011-2012 EPS estimates, driven by (1) growth in sales and leasing activity, and (2) the company's exposure to US CRE transaction market. Our price target indicates upside of 40%.
- **Key risks** include double dip recession, global credit event or slower CRE decision making.

**Exhibit 27: ...our assumption for 40-50% CRE sales growth**

Historical aggregate US CRE sales volumes (\$ bn)



\* Note - Estimates based on GS revenue assumptions for CBG & JLL.

Source: Real Capital Analytics, Goldman Sachs Research.

**Exhibit 28: Debt service coverage vs. loan to value**

	2007 Origination	Today	Change
Annual cash flow	5	4.55	-9%
Cap rate	5%	7%	1.4x
Property value	100	65	-35%
Loan	70	70	0%
Loan to value (LTV)	70%	108%	1.5x
Loan rate*	5.50%	1.50%	-73%
Annual debt expense	4.8	2.9	-39%
Debt service coverage (DSC**)	1.0x	1.6x	1.5x

A key reason "amend and pretend" CRE loan modifications have worked is because of low interest rates.

We believe a back-up in LIBOR could drive an increase in forced or motivated CRE sales activity.

\*Assume 30y amortization schedule, floating rate LIB+50bp with 100bp floor

\*\*Cash flow divided by debt expense

Source: Goldman Sachs Research.

# MDC: Operating leverage and margins drive return to profits; reiterate Conviction Buy

We recently added MDC to the Conviction Buy List, as we believe that the Street is significantly underestimating the earnings potential of the company's current operations, notwithstanding the operating leverage that we expect as the company spends more of its excess cash on new, well-placed land parcels. Our \$44, six-month price target based on tax adjusted book value and normalized earnings suggest 40% upside from current levels. See Exhibits 29-30.

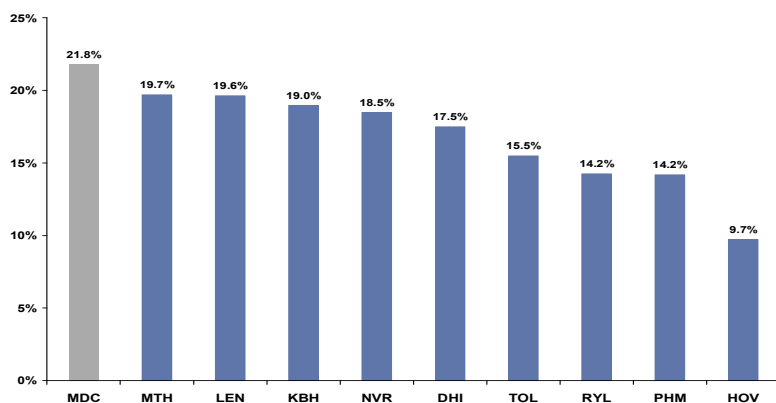
## We believe several catalysts could propel shares of MDC

**(1) We expect more land buying announcements from MDC, given the company's \$500 million of net cash.** With the company's SG&A already in place to be a much larger builder, land purchases are more incremental to MDC's earning than all other builders. We estimate that MDC could spend as much as \$1.1 billion on land and remain conservatively leveraged at 30% net debt to capital.

**(2) Return to profitability in 2Q2010 and significant operating leverage in coming quarters:** We expect significant operating leverage as communities and sales ramp up. We estimate \$0.25 of 2Q2010 earnings vs. Street expectation of a \$0.03 loss. A return to profitability by MDC would be very positive for shares.

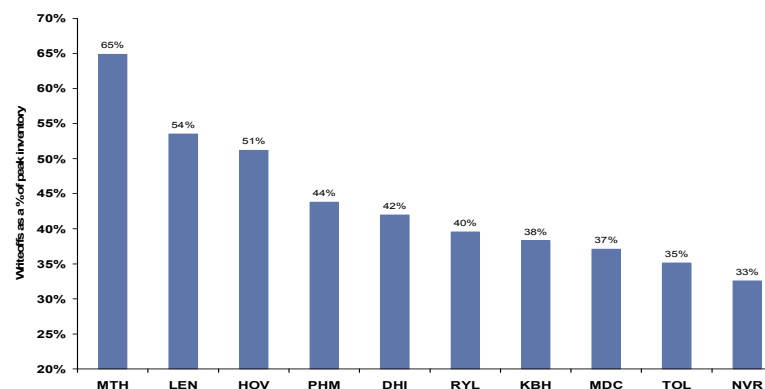
**(3) Strong underlying trends point to strong 2Q results.** We expect strong 2Q results given the positive trends from 1Q earnings: (1) MDC's above-consensus order growth of +38%, and strong backlog of over 1,200 units (with over 770 spec units) support our expectation for 2Q profitability – MDC's first since 3Q2006. (2) Operating leverage should be a benefit as MDC's cost structure is positioned for 2X-3X the current sales pace and improvement in sales via larger land transactions should help drive industry-best operating leverage. (3) MDC's exposure to newer land and solid underwriting on new parcels position it well and as MDC spends more on land acquisition, we expect it to enhance profitability.

**Exhibit 29: Gross margins continue to be high – and increasing operating leverage should help profitability**



Source: Goldman Sachs Research, Company data

**Exhibit 30: Limited legacy land and good underwriting on new land parcels has meant lower write downs**



Source: Goldman Sachs Research, Company data

# ACE: adding to CL-Buy List on diversification, leadership, returns, and potential catalysts

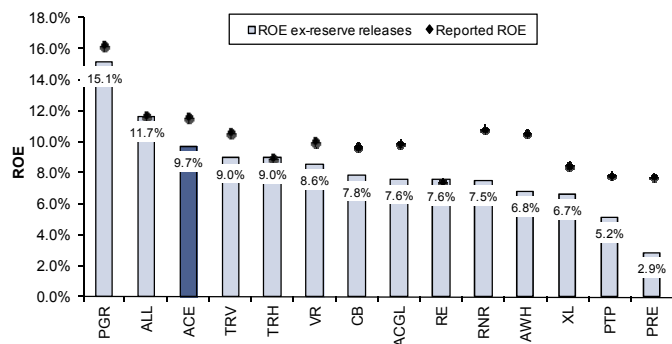
We are adding ACE to the Americas Conviction Buy List as the company continues to trade at attractive levels below book value despite generating expected ROEs of 10-11% over the next few years. In a volatile environment, sentiment is likely to improve for firms that offer stability, such as ACE. We believe ACE remains the stock to own for investors that want to maintain/gain exposure to the non-life insurance space in advance of any potential turn in the market over the next few years. Our \$61, 12-month book value-based price target implies 20% upside. See Exhibits 31-32.

- **Diversified, non-correlating business mix.** ACE’s business mix is more levered to non-correlating businesses, such as accident and health and other international lines, that provide stability in the current soft market.
- **Favorable reserve position.** Prior-period favorable reserve releases continue to provide considerable benefit to current-year profitability.
- **Excess capital.** Additionally, we believe ACE is one of the best-positioned companies in terms of its excess capital position, with the ability to capitalize on improving market conditions when they occur.
- **Upcoming catalyst.** ACE is hosting its first-ever investor day on June 2. The company’s goal is to present an easy-to-understand view of the business.
- Lastly, **we also see potential upside should ACE be added back to the S&P 500 index**—a higher possibility following the recent changes to index eligibility requirements—as we would expect incremental investor appetite following reintroduction to the benchmark.

**Additionally, given our focus on large-cap P&C names (ACE, PGR, XL, TRV) we adjust our coverage universe ratings distribution accordingly and downgrade Arch Capital and Validus to Neutral.** We note while both companies continue to repurchase shares at accretive levels, we do not expect meaningful outperformance in the near term.

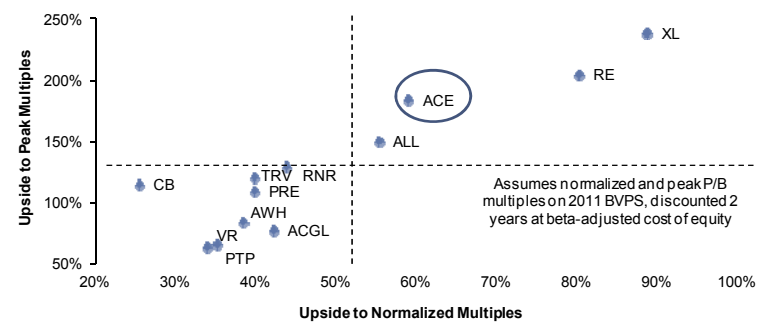
Our 12-month, book value-based price targets are \$80 for ACGL, \$31 for VR. **Risks for all names:** upside-stronger book value growth; downside: more competitive pricing environment.

**Exhibit 31: ACE expected to generate leading returns**  
Adjusted 2010E operating ROE (ex reserve development) and CY2010E ROE



Source: Goldman Sachs Research estimates.

**Exhibit 32: ACE is best in class with significant upside**  
Upside to normalized and peak multiples



Source: Goldman Sachs Research, company data.

# JEF: adding to CL-Sell List on potential weakness in investment banking, valuation

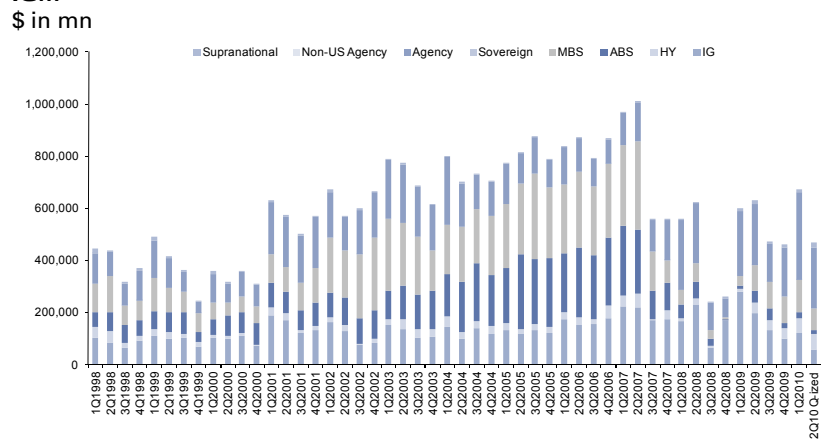
We add Jefferies to the America’s Conviction Sell List with a \$22 price target, implying 5% downside from current levels. We lower our 2010-12 EPS estimates to \$1.40/1.65/1.90 from \$1.56/1.75/2.00 to reflect less favorable credit market conditions (high yield credit spreads have widened by over 120 bp or 50% QTD, the most since 3Q2008) and dampened expectations for capital issuance/M&A volumes given recent uncertainty in global capital markets. Our six-month price target is based on 2.0X our adjusted 4Q2010 tangible book estimate of \$11, in line with the 3-year average (JEF currently trades at 2.3X adjusted T/BV). JEF trades at a 22% premium to the peer average P/TBV ratio, and we believe any weakness in results could be met with increased valuation pressure. See Exhibits 33-34.

**1. Less favorable conditions in JEF’s core businesses:** In March and April, BB credit spreads narrowed to the lowest point (220 bp over 10-year Treasuries) since mid-2007, helping to fuel record US high-yield issuance. However, credit spreads have widened significantly in recent weeks (up 50% QTD), which has dampened high-yield issuance in May to the lowest point in over a year. We expect less favorable credit market conditions to persist and create a headwind for JEF given fixed income sales and trading (FICC) and debt issuance accounted for nearly two thirds of net revenue in 2009. Moreover, the equity underwriting backlog could decline with any prolonged period of market volatility/decline, and JEF has generated 5% of revenue over the past year from ECM issues.

**2. Higher risk profile and returns profile not consistent with a premium valuation:** Despite favorable conditions for FICC in 2009, Jefferies’ ROE was 11%, below the 5-year average of 12% from 2003-2007. Further, JEF’s leverage ratio increased to 12X in 1Q2010 from 9X in 1Q2009, as JEF increased its holdings of financial instruments by 36% in 1Q2010, principally due to an expansion in Agencies, corporate debt, and MBS, 37% of which is sub-investment grade.

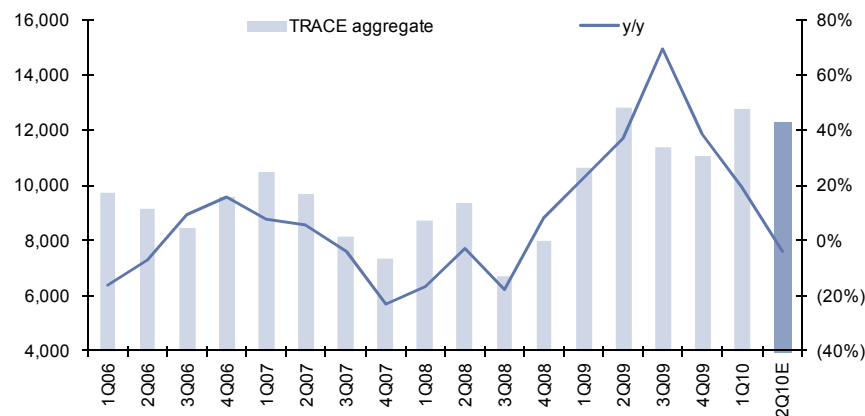
**Risks** to our rating and price target include higher FICC revenues, faster acceleration in investment banking, or lower expenses.

**Exhibit 33: DCM issuance is running 22% lower QoQ in 2Q2010, and JEF is down 44% QoQ on a “quarterized” basis, led by a decline in Agencies and IG...**



Source: CME Group, Goldman Sachs Research.

**Exhibit 34: ...and US high-grade corporate bond volumes are down 4% YoY for the first time since 3Q2008**  
average daily volumes in \$ mn



Source: CME Group, Goldman Sachs Research.

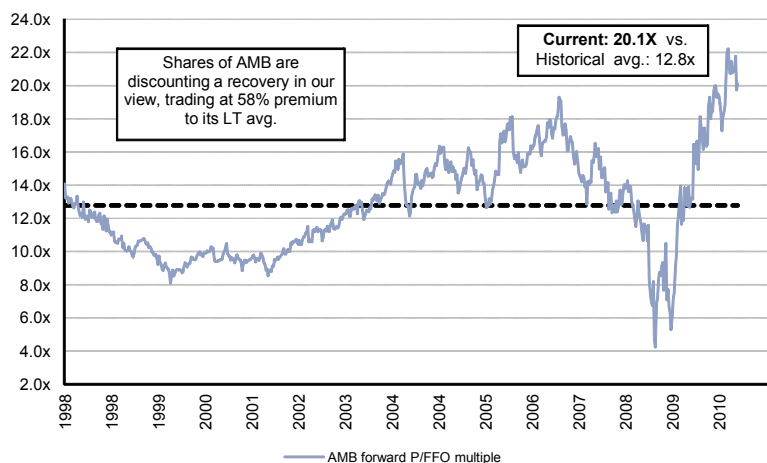
# AMB: Downgrade to CL-Sell as we expect underperformance vs. growth expectations

**We downgrade global industrial REIT AMB Property Corp (AMB) from Neutral to Conviction Sell and see about 15% downside to our revised NAV-based target price of \$21 (was \$24).** We expect shares of AMB to relatively underperform REITs over the next 3-6 months based on the following three reasons:

- **Expensive for long-term growth** – At 20X P/FFO, shares of AMB now trade at nearly a 60% premium to the company’s long-term average multiple (see Exhibit 35). We believe the valuation more than discounts the growth in lease-up of AMB’s development as well as future acquisition activity. In fact, AMB would need to grow FFO roughly 20% in each of the next three years to imply the long-term 13X multiple (see Exhibit 36). Our model currently assumes less than two-thirds of that level.
- **Near-term growth may also fall short** – Additionally, we believe AMB’s 2Q2010 earnings release (in late July) could serve as a negative catalyst if the company lowers its FY2010 operating assumptions. Specifically, average occupancy of 93% by year-end (90.5% in 1Q) and positive SS NOI in 4Q2010 (was negative 5% in 1Q) seem a steep ramp vs. current activity levels.
- **Leverage remains high** – At 9.5X debt / EBITDA we believe AMB still faces a longer-term obstacle to growth as debt reduction drags on growth capital (see AMB’s recent equity offering) or is refinanced at higher interest rates. Average debt / EBITDA across our coverage is 7.5X, while we believe appropriate leverage is closer to 5-6X for REITs (particularly for those taking on development risk).

Our 2010E FFO is now \$1.25 from \$1.27 given weaker expected near-term growth. FFO remains unchanged for 2011/2012E. Our target price is based on our revised NAV of \$21 (assumes 8.25% cap rate). Upside risk to our call includes better leasing and rental trends.

**Exhibit 35: AMB currently trades at a wide premium vs. l/t P/FFO averages**  
As of May 21, 2010

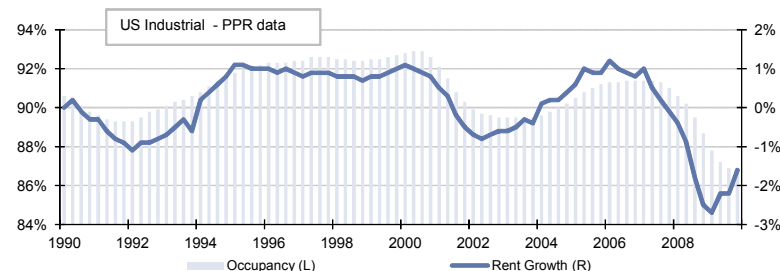


Source: FactSet, Goldman Sachs Research estimates.

**Exhibit 36: AMB’s required growth seems steep relative to previous recoveries**

pricing as of May 21, 2010, fundamental data as of 1Q 2010

Sector	Price	Current FFO	FFO req'd to LT avg	CAGR (3-years)	P / FFO Current (on 2011)	P/FFO Long-term average
PLD	\$ 11.48	0.56	0.93	18.9%	20.7x	12.3x
AMB	25.57	1.25	2.00	16.9%	20.5x	12.8x
LRY	30.45	2.66	3.16	5.9%	11.4x	9.6x
DRE	11.81	1.05	1.12	2.1%	11.2x	10.5x
<b>Average</b>				<b>10.9%</b>	<b>15.9x</b>	<b>11.3x</b>



Source: PPR, Goldman Sachs Research estimates.

## Appendix: Share price performance

### Removing Wells Fargo from Americas Buy List

Since being added to the Americas Buy List on October 5, 2009, the shares are up 7.2% versus a 4.5% increase for the S&P 500. Over the past 12 months, WFC has risen 20% compared to a 22% increase in the S&P 500.

### Exhibit 37: WFC price performance versus peers

priced as of May 21, 2010

Company	Ticker	Primary analyst	Price currency	Price as of 05/21/10	Price performance since 10/05/09	3 month price performance	6 month price performance	12 month price performance
<b>Americas Banks Peer Group</b>								
<b>Wells Fargo &amp; Company</b>	<b>WFC</b>	<b>Richard Ramsden</b>	<b>\$</b>	<b>30.11</b>	<b>7.2%</b>	<b>10.0%</b>	<b>8.0%</b>	<b>20.2%</b>
Bank of America Corporation	BAC	Richard Ramsden	\$	15.99	-5.7%	0.7%	-0.6%	40.1%
Bank of New York Mellon Corp.	BK	Brian Foran	\$	27.82	0.4%	-2.9%	6.2%	2.3%
BB&T Corp.	BBT	Brian Foran	\$	31.36	16.5%	14.8%	27.5%	49.5%
Capital One Financial Corp.	COF	Brian Foran	\$	41.81	16.4%	10.6%	10.9%	82.3%
Citigroup Inc.	C	Richard Ramsden	\$	3.75	-19.7%	9.6%	-10.7%	0.8%
City National Corp.	CYN	Brian Foran	\$	56.54	48.5%	15.1%	48.5%	56.9%
Comerica, Inc.	CMA	Brian Foran	\$	38.65	28.9%	8.7%	38.5%	85.9%
Fifth Third Bancorp	FITB	Brian Foran	\$	13.19	39.1%	7.8%	32.3%	89.8%
First Horizon National Corp.	FHN	Brian Foran	\$	12.94	3.8%	1.7%	1.6%	24.7%
First Niagara Financial Group, Inc.	FNFG	Brian Foran	\$	12.75	-1.9%	-8.0%	-3.8%	7.0%
Hudson City Bancorp, Inc.	HCBK	Brian Foran	\$	12.68	-2.3%	-3.6%	-4.7%	9.9%
Huntington Bancshares Inc.	HBAN	Brian Foran	\$	6.24	34.8%	28.7%	65.1%	45.1%
J.P. Morgan Chase & Co.	JPM	Richard Ramsden	\$	40.05	-8.6%	0.0%	-5.7%	14.8%
KeyCorp	KEY	Brian Foran	\$	7.87	26.3%	15.9%	37.3%	44.7%
Marshall & Ilsley Corp.	MI	Brian Foran	\$	8.20	3.3%	20.4%	53.0%	25.6%
Morgan Stanley & Co.	MS	Richard Ramsden	\$	27.11	-9.1%	-1.1%	-15.5%	-3.5%
Northern Trust Corp.	NTRS	Brian Foran	\$	51.88	-9.8%	-5.0%	9.8%	0.7%
People's United Financial, Inc.	PBCT	Brian Foran	\$	14.37	-6.8%	-9.1%	-12.8%	-6.4%
PNC Financial Services	PNC	Richard Ramsden	\$	62.76	35.7%	21.4%	14.4%	52.4%
Regions Financial Corp.	RF	Brian Foran	\$	7.47	25.3%	13.7%	37.1%	82.2%
State Street Corp.	STT	Brian Foran	\$	39.65	-24.3%	-15.0%	-2.8%	-8.4%
SunTrust Banks, Inc.	STI	Brian Foran	\$	26.99	23.4%	17.2%	22.5%	85.1%
U.S. Bancorp	USB	Richard Ramsden	\$	23.98	10.8%	-0.7%	3.0%	32.4%
Western Alliance Bancorp.	WAL	Brian Foran	\$	7.85	29.8%	50.7%	86.9%	22.8%
Zions Bancorporation	ZION	Brian Foran	\$	23.80	38.9%	29.1%	89.6%	81.4%
<b>S&amp;P 500</b>				<b>1087.69</b>	<b>4.5%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>22.4%</b>

Note: Prices as of most recent available close, which could vary from the price date indicated above  
This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Goldman Sachs Research.

### Removing SunTrust Banks from Americas Conviction Buy List

Since being added to the Americas Buy List on January 28, 2010, the shares are up 8.8% versus a 0.3% increase for the S&P 500. Over the past 12 months, STI has risen 85% compared to a 22% increase in the S&P 500.

#### Exhibit 38: STI share price performance versus peers priced as of May 21, 2010

Company	Ticker	Primary analyst	Price currency	Price as of 05/21/10	Price performance since 01/28/10	3 month price performance	6 month price performance	12 month price performance
<b>Americas Banks Peer Group</b>								
<b>SunTrust Banks, Inc.</b>	<b>STI</b>	<b>Brian Foran</b>	<b>\$</b>	<b>26.99</b>	<b>8.8%</b>	<b>17.2%</b>	<b>22.5%</b>	<b>85.1%</b>
Bank of America Corporation	BAC	Richard Ramsden	\$	15.99	4.0%	0.7%	-0.6%	40.1%
Bank of New York Mellon Corp.	BK	Brian Foran	\$	27.82	-4.6%	-2.9%	6.2%	2.3%
BB&T Corp.	BBT	Brian Foran	\$	31.36	10.7%	14.8%	27.5%	49.5%
Capital One Financial Corp.	COF	Brian Foran	\$	41.81	13.8%	10.6%	10.9%	82.3%
Citigroup Inc.	C	Richard Ramsden	\$	3.75	15.7%	9.6%	-10.7%	0.8%
City National Corp.	CYN	Brian Foran	\$	56.54	13.1%	15.1%	48.5%	56.9%
Comerica, Inc.	CMA	Brian Foran	\$	38.65	9.8%	8.7%	38.5%	85.9%
Fifth Third Bancorp	FITB	Brian Foran	\$	13.19	7.6%	7.8%	32.3%	89.8%
First Horizon National Corp.	FHN	Brian Foran	\$	12.94	0.7%	1.7%	1.6%	24.7%
First Niagara Financial Group, Inc.	FNFG	Brian Foran	\$	12.75	-8.3%	-8.0%	-3.8%	7.0%
Hudson City Bancorp, Inc.	HCBK	Brian Foran	\$	12.68	-3.6%	-3.6%	-4.7%	9.9%
Huntington Bancshares Inc.	HBAN	Brian Foran	\$	6.24	25.1%	28.7%	65.1%	45.1%
J.P. Morgan Chase & Co.	JPM	Richard Ramsden	\$	40.05	1.4%	0.0%	-5.7%	14.8%
KeyCorp	KEY	Brian Foran	\$	7.87	8.3%	15.9%	37.3%	44.7%
Marshall & Ilsley Corp.	MI	Brian Foran	\$	8.20	19.0%	20.4%	53.0%	25.6%
Morgan Stanley & Co.	MS	Richard Ramsden	\$	27.11	-1.4%	-1.1%	-15.5%	-3.5%
Northern Trust Corp.	NTRS	Brian Foran	\$	51.88	0.6%	-5.0%	9.8%	0.7%
People's United Financial, Inc.	PBCT	Brian Foran	\$	14.37	-8.1%	-9.1%	-12.8%	-6.4%
PNC Financial Services	PNC	Richard Ramsden	\$	62.76	15.9%	21.4%	14.4%	52.4%
Regions Financial Corp.	RF	Brian Foran	\$	7.47	16.2%	13.7%	37.1%	82.2%
State Street Corp.	STT	Brian Foran	\$	39.65	-9.5%	-15.0%	-2.8%	-8.4%
U.S. Bancorp	USB	Richard Ramsden	\$	23.98	-4.0%	-0.7%	3.0%	32.4%
Wells Fargo & Company	WFC	Richard Ramsden	\$	30.11	5.8%	10.0%	8.0%	20.2%
Western Alliance Bancorp.	WAL	Brian Foran	\$	7.85	51.0%	50.7%	86.9%	22.8%
Zions Bancorporation	ZION	Brian Foran	\$	23.80	23.1%	29.1%	89.6%	81.4%
<b>S&amp;P 500</b>				<b>1087.69</b>	<b>0.3%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>22.4%</b>

Note: Prices as of most recent available close, which could vary from the price date indicated above

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Goldman Sachs Research.

**Removing Comerica from Americas Buy List**

Since being added to the Americas Buy List on January 12, 2010, the shares are up 19% versus a 4.3% decrease for the S&P 500. Over the past 12 months, CMA has risen 86% compared to a 22% increase in the S&P 500.

**Exhibit 39: CMA share price performance versus peers**  
priced as of May 21, 2010

Company	Ticker	Primary analyst	Price currency	Price as of 05/21/10	Price performance since 01/12/10	3 month price performance	6 month price performance	12 month price performance
<b>Americas Banks Peer Group</b>								
<b>Comerica, Inc.</b>	<b>CMA</b>	<b>Brian Foran</b>	<b>\$</b>	<b>38.65</b>	<b>18.7%</b>	<b>8.7%</b>	<b>38.5%</b>	<b>85.9%</b>
Bank of America Corporation	BAC	Richard Ramsden	\$	15.99	-2.3%	0.7%	-0.6%	40.1%
Bank of New York Mellon Corp.	BK	Brian Foran	\$	27.82	-4.3%	-2.9%	6.2%	2.3%
BB&T Corp.	BBT	Brian Foran	\$	31.36	14.3%	14.8%	27.5%	49.5%
Capital One Financial Corp.	COF	Brian Foran	\$	41.81	-0.1%	10.6%	10.9%	82.3%
Citigroup Inc.	C	Richard Ramsden	\$	3.75	6.5%	9.6%	-10.7%	0.8%
City National Corp.	CYN	Brian Foran	\$	56.54	17.9%	15.1%	48.5%	56.9%
Fifth Third Bancorp	FITB	Brian Foran	\$	13.19	20.0%	7.8%	32.3%	89.8%
First Horizon National Corp.	FHN	Brian Foran	\$	12.94	-4.9%	1.7%	1.6%	24.7%
First Niagara Financial Group, Inc.	FNFG	Brian Foran	\$	12.75	-7.9%	-8.0%	-3.8%	7.0%
Hudson City Bancorp, Inc.	HCBK	Brian Foran	\$	12.68	-9.1%	-3.6%	-4.7%	9.9%
Huntington Bancshares Inc.	HBAN	Brian Foran	\$	6.24	48.2%	28.7%	65.1%	45.1%
J.P. Morgan Chase & Co.	JPM	Richard Ramsden	\$	40.05	-7.9%	0.0%	-5.7%	14.8%
KeyCorp	KEY	Brian Foran	\$	7.87	22.8%	15.9%	37.3%	44.7%
Marshall & Ilsley Corp.	MI	Brian Foran	\$	8.20	23.7%	20.4%	53.0%	25.6%
Morgan Stanley & Co.	MS	Richard Ramsden	\$	27.11	-12.9%	-1.1%	-15.5%	-3.5%
Northern Trust Corp.	NTRS	Brian Foran	\$	51.88	1.8%	-5.0%	9.8%	0.7%
People's United Financial, Inc.	PBCT	Brian Foran	\$	14.37	-13.1%	-9.1%	-12.8%	-6.4%
PNC Financial Services	PNC	Richard Ramsden	\$	62.76	10.7%	21.4%	14.4%	52.4%
Regions Financial Corp.	RF	Brian Foran	\$	7.47	19.5%	13.7%	37.1%	82.2%
State Street Corp.	STT	Brian Foran	\$	39.65	-10.3%	-15.0%	-2.8%	-8.4%
SunTrust Banks, Inc.	STI	Brian Foran	\$	26.99	20.2%	17.2%	22.5%	85.1%
U.S. Bancorp	USB	Richard Ramsden	\$	23.98	-1.4%	-0.7%	3.0%	32.4%
Wells Fargo & Company	WFC	Richard Ramsden	\$	30.11	7.2%	10.0%	8.0%	20.2%
Western Alliance Bancorp.	WAL	Brian Foran	\$	7.85	71.0%	50.7%	86.9%	22.8%
Zions Bancorporation	ZION	Brian Foran	\$	23.80	48.3%	29.1%	89.6%	81.4%
<b>S&amp;P 500</b>				<b>1087.69</b>	<b>-4.3%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>22.4%</b>

Note: Prices as of most recent available close, which could vary from the price date indicated above  
This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Goldman Sachs Research.

### Removing Evercore from Americas Conviction Buy List

Since being added to the Americas Buy List on March 9, 2010, EVR is down 2% compared to a 5% decline in the S&P 500 and a 12% decline in the Smid-cap broker peer group average. Over the past 12-months, EVR has risen 88% compared to a 22% increase in the S&P 500 and 20% increase in the peer group average.

#### Exhibit 40: EVR performance vs. peers

priced as of May 21, 2010

Company	Ticker	Primary analyst	Price currency	Price as of 05/21/10	Price as of 03/09/10	Price performance since 03/09/10	3 month price performance	6 month price performance	12 month price performance
<b>Americas Brokers Peer Group</b>									
Evercore Partners Inc.	EVR	Daniel Harris, CFA	\$	31.72	32.32	-1.9%	3.8%	1.1%	88.2%
Lazard Ltd.	LAZ	Daniel Harris, CFA	\$	32.27	38.70	-16.6%	-10.6%	-16.9%	19.5%
Greenhill & Co., Inc.	GHL	Daniel Harris, CFA	\$	69.91	76.99	-9.2%	-7.5%	-15.2%	-0.4%
Duff & Phelps Corporation	DUF	Daniel Harris, CFA	\$	13.94	17.33	-19.6%	-16.6%	-19.2%	-8.9%
Raymond James Financial, Inc.	RJF	Daniel Harris, CFA	\$	27.48	27.61	-0.5%	3.0%	8.2%	75.3%
Jefferies Group Inc.	JEF	Daniel Harris, CFA	\$	23.35	25.61	-8.8%	-9.5%	-12.1%	16.6%
Stifel Financial Corp.	SF	Daniel Harris, CFA	\$	52.69	55.65	-5.3%	-5.4%	-4.3%	25.8%
Piper Jaffray Companies Inc.	PJC	Daniel Harris, CFA	\$	33.38	45.24	-26.2%	-25.5%	-25.3%	12.2%
E*TRADE Financial Corp.	ETFC	Daniel Harris, CFA	\$	1.46	1.68	-13.1%	-6.4%	-11.0%	2.8%
TD Ameritrade Holding Corp.	AMTD	Daniel Harris, CFA	\$	17.96	18.86	-4.8%	-0.4%	-14.1%	3.0%
The Charles Schwab Corp.	SCHW	Daniel Harris, CFA	\$	16.67	18.97	-12.1%	-11.0%	-8.7%	-0.7%
optionsXpress Holdings, Inc.	OXPS	Daniel Harris, CFA	\$	16.64	16.77	-0.8%	7.4%	4.1%	-1.8%
TradeStation Group, Inc.	TRAD	Daniel Harris, CFA	\$	7.29	7.15	2.0%	3.7%	-2.8%	-4.7%
TSX Group, Inc.	X.TO	Daniel Harris, CFA	C\$	27.40	29.17	-6.1%	-8.6%	-7.9%	-13.3%
The Nasdaq Stock Market, Inc.	NDAQ	Daniel Harris, CFA	\$	18.77	20.15	-6.8%	0.8%	-1.1%	-0.1%
NYSE Euronext, Inc.	NYX	Daniel Harris, CFA	\$	28.38	28.62	-0.8%	11.3%	10.2%	6.1%
IntercontinentalExchange, Inc.	ICE	Daniel Harris, CFA	\$	115.09	109.71	4.9%	11.2%	7.8%	16.7%
CME Group Inc.	CME	Daniel Harris, CFA	\$	318.51	308.14	3.4%	9.2%	-1.4%	13.7%
Knight Capital Group, Inc.	NITE	Daniel Harris, CFA	\$	14.60	16.70	-12.6%	-11.7%	-5.9%	-14.7%
MarketAxess Holdings Inc.	MKTX	Daniel Harris, CFA	\$	14.58	15.10	-3.4%	-5.1%	15.3%	42.8%
Investment Technology Group, Inc.	ITG	Daniel Harris, CFA	\$	16.44	18.25	-9.9%	-3.1%	-10.1%	-19.8%
BGC Partners, Inc.	BGCP	Daniel Harris, CFA	\$	5.86	5.78	1.4%	38.9%	32.6%	90.9%
GFI Group Inc.	GFIG	Daniel Harris, CFA	\$	5.87	5.91	-0.7%	12.2%	15.3%	18.1%
<b>Peer Average</b>						<b>-6.6%</b>	<b>-1.1%</b>	<b>-2.8%</b>	<b>12.7%</b>
<b>S&amp;P 500</b>				<b>1087.69</b>	<b>1140.45</b>	<b>-4.6%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>22.4%</b>

Note: Prices as of most recent available close, which could vary from the price date indicated above

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Goldman Sachs Research.

### Removing Validus from Americas Buy List

Since being added to the Americas Buy List on September 4, 2007, the shares are up 8.8% versus down 30.2% for our coverage universe and a 27.0% decrease for the S&P 500. Over the past 12-months, VR has risen 8% compared to a 22% increase in the S&P 500.

#### Exhibit 41: Validus Performance vs. Peers

Pricing as of May 21, 2010

Company	Ticker	Primary analyst	Price currency	Price as of 05/21/10	Price performance since 09/04/07	3 month price performance	6 month price performance	12 month price performance
<b>Americas NonLife Insurance Peer Group</b>								
Validus Holdings, Ltd.	VR	Christopher M. Neczypor	\$	23.94	8.8%	-10.6%	-8.7%	8.0%
ACE Limited	ACE	Christopher M. Neczypor	\$	49.94	-14.5%	-0.9%	0.4%	14.0%
Allied World Assurance Co. Hldgs. Ltd.	AWH	Christopher M. Neczypor	\$	43.58	-9.8%	-4.7%	-8.9%	17.8%
Aon Corp.	AON	Christopher M. Neczypor	\$	39.64	-9.1%	-2.3%	1.6%	8.8%
Arch Capital Group Ltd.	ACGL	Christopher M. Neczypor	\$	72.18	0.4%	0.2%	4.1%	26.5%
Chubb Corp.	CB	Christopher M. Neczypor	\$	50.39	-3.0%	-2.1%	0.7%	30.7%
Everest Re Group Limited	RE	Christopher M. Neczypor	\$	73.70	-29.1%	-12.1%	-15.2%	9.0%
Genworth MI Canada Inc.	MIC.TO	Christopher M. Neczypor	C\$	25.30	NA	-5.6%	-1.9%	NA
Lincoln National Corp.	LNC	Christopher M. Neczypor	\$	25.51	-58.6%	0.1%	8.4%	49.4%
Marsh & McLennan Companies	MMC	Christopher M. Neczypor	\$	21.72	-19.0%	-4.7%	-3.8%	14.6%
MetLife Inc.	MET	Christopher M. Neczypor	\$	39.48	-39.6%	12.7%	16.5%	30.0%
MGIC Investment Corp.	MTG	Christopher M. Neczypor	\$	8.69	-71.4%	16.8%	109.9%	71.4%
PartnerRe Ltd.	PRE	Christopher M. Neczypor	\$	73.20	-0.7%	-7.6%	-5.4%	11.3%
Platinum Underwriters Holdings	PTP	Christopher M. Neczypor	\$	36.71	5.2%	-0.5%	1.5%	33.1%
Principal Financial Group, Inc.	PFG	Christopher M. Neczypor	\$	26.20	-53.7%	14.8%	1.6%	29.4%
Protective Life Corp.	PL	Christopher Giovanni	\$	20.30	-52.0%	10.6%	21.6%	68.3%
Prudential Financial, Inc.	PRU	Christopher M. Neczypor	\$	56.39	-37.4%	9.5%	18.3%	38.9%
Radian Group Inc.	RDN	Christopher M. Neczypor	\$	8.86	-51.1%	8.4%	74.8%	197.3%
RenaissanceRe Holdings Ltd.	RNR	Christopher M. Neczypor	\$	54.09	-6.8%	-0.8%	-0.1%	21.4%
StanCorp Financial Group, Inc.	SFG	Christopher Giovanni	\$	42.36	-12.2%	-1.6%	15.0%	47.5%
Symetra Financial Corporation	SYA	Christopher Giovanni	\$	12.36	NA	-3.9%	NA	NA
The Allstate Corp.	ALL	Christopher M. Neczypor	\$	30.54	-44.8%	-2.2%	4.9%	16.3%
The Hartford Financial Services	HIG	Christopher M. Neczypor	\$	24.31	-72.9%	-0.1%	-2.8%	57.7%
The PMI Group, Inc.	PMI	Christopher M. Neczypor	\$	4.08	-87.3%	63.2%	92.5%	94.3%
The Progressive Corporation	PGR	Christopher M. Neczypor	\$	19.81	-4.9%	15.5%	17.6%	24.3%
The Travelers Companies, Inc.	TRV	Christopher M. Neczypor	\$	49.23	-3.4%	-6.9%	-6.0%	24.0%
Torchmark Corp.	TMK	Christopher Giovanni	\$	50.62	-17.9%	8.8%	19.6%	39.6%
Transatlantic Holdings, Inc.	TRH	Christopher M. Neczypor	\$	46.20	-34.9%	-9.1%	-15.6%	15.3%
Unum Group	UNM	Christopher Giovanni	\$	22.46	-10.0%	6.9%	17.7%	35.9%
XL Capital Ltd.	XL	Christopher M. Neczypor	\$	17.37	-77.4%	-5.7%	-3.5%	76.0%
<b>S&amp;P 500</b>				<b>1087.69</b>	<b>-27.0%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>22.4%</b>

Note: Prices as of most recent available close, which could vary from the price date indicated above.

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Goldman Sachs Research, Facset, Quantum database.

### Removing Arch Capital Group from Americas Buy List

Since being added to the Americas Buy List on January 9, 2008, the shares are up 1.4% versus down 25.0% for our coverage universe and a 22.8% decrease for the S&P 500. Over the past 12-months, ACGL has risen 27% compared to a 22% increase in the S&P 500 and 20% increase in the peer group average.

### Exhibit 42: Arch Capital Group Performance Versus Peers

Pricing as of May 21, 2010

Company	Ticker	Primary analyst	Price currency	Price as of 05/21/10	Price performance since 01/09/08	3 month price performance	6 month price performance	12 month price performance
<b>Americas NonLife Insurance Peer Group</b>								
Arch Capital Group Ltd.	ACGL	Christopher M. Neczypor	\$	72.18	1.4%	0.2%	4.1%	26.5%
ACE Limited	ACE	Christopher M. Neczypor	\$	49.94	-18.3%	-0.9%	0.4%	14.0%
Allied World Assurance Co. Hldgs. Ltd.	AWH	Christopher M. Neczypor	\$	43.58	-10.6%	-4.7%	-8.9%	17.8%
Aon Corp.	AON	Christopher M. Neczypor	\$	39.64	-12.2%	-2.3%	1.6%	8.8%
Chubb Corp.	CB	Christopher M. Neczypor	\$	50.39	-5.2%	-2.1%	0.7%	30.7%
Everest Re Group Limited	RE	Christopher M. Neczypor	\$	73.70	-29.8%	-12.1%	-15.2%	9.0%
Genworth MI Canada Inc.	MIC.TO	Christopher M. Neczypor	C\$	25.30	NA	-5.6%	-1.9%	NA
Lincoln National Corp.	LNC	Christopher M. Neczypor	\$	25.51	-53.4%	0.1%	8.4%	49.4%
Marsh & McLennan Companies	MMC	Christopher M. Neczypor	\$	21.72	-18.0%	-4.7%	-3.8%	14.6%
MetLife Inc.	MET	Christopher M. Neczypor	\$	39.48	-32.6%	12.7%	16.5%	30.0%
MGIC Investment Corp.	MTG	Christopher M. Neczypor	\$	8.69	-45.5%	16.8%	109.9%	71.4%
PartnerRe Ltd.	PRE	Christopher M. Neczypor	\$	73.20	-9.7%	-7.6%	-5.4%	11.3%
Platinum Underwriters Holdings	PTP	Christopher M. Neczypor	\$	36.71	1.3%	-0.5%	1.5%	33.1%
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StanCorp Financial Group, Inc.	SFG	Christopher Giovanni	\$	42.36	-9.2%	-1.6%	15.0%	47.5%
Symetra Financial Corporation	SYA	Christopher Giovanni	\$	12.36	NA	-3.9%	NA	NA
The Allstate Corp.	ALL	Christopher M. Neczypor	\$	30.54	-40.4%	-2.2%	4.9%	16.3%
The Hartford Financial Services	HIG	Christopher M. Neczypor	\$	24.31	-71.0%	-0.1%	-2.8%	57.7%
The PMI Group, Inc.	PMI	Christopher M. Neczypor	\$	4.08	-51.9%	63.2%	92.5%	94.3%
The Progressive Corporation	PGR	Christopher M. Neczypor	\$	19.81	7.5%	15.5%	17.6%	24.3%
The Travelers Companies, Inc.	TRV	Christopher M. Neczypor	\$	49.23	-3.7%	-6.9%	-6.0%	24.0%
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Transatlantic Holdings, Inc.	TRH	Christopher M. Neczypor	\$	46.20	-36.7%	-9.1%	-15.6%	15.3%
Unum Group	UNM	Christopher Giovanni	\$	22.46	1.9%	6.9%	17.7%	35.9%
Validus Holdings, Ltd.	VR	Christopher M. Neczypor	\$	23.94	-8.7%	-10.6%	-8.7%	8.0%
XL Capital Ltd.	XL	Christopher M. Neczypor	\$	17.37	-63.4%	-5.7%	-3.5%	76.0%
<b>S&amp;P 500</b>				<b>1087.69</b>	<b>-22.8%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>22.4%</b>

Note: Prices as of most recent available close, which could vary from the price date indicated above.

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Goldman Sachs Research, Facset, Quantum database.

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**Growth** is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

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