

essentially flat relative to 2000 when the industry experienced nearly a 40% decline. In M&A, MER improved its market share from 20% in 2000 to nearly 25% for the full year 2001 – albeit in a relatively inactive market.

The company continues to invest in organic growth opportunities for this business, and Mr. Komansky highlighted foreign exchange and derivatives as targeted areas for investment. Merrill also plans to leverage its scale in securities services to enhance prime brokerage, clearing and money management services.

### **Merrill Lynch Investment Managers**

Mr. Komansky identified three specific growth opportunities for this business: (1) alternative investments, (2) private account management, and (3) distribution. Most importantly, the firm is focused on building a performance culture – with improved performance designed to increase penetration of MLIM products in proprietary and third party channels. MER indicated that approximately 33% of U.S. mutual funds sales through the proprietary channel are from MLIM products. The company's target is to ultimately increase this penetration to nearly 50%. Growth in third-party distribution has grown at a CAGR of 20% over the last year, with assets exceeding \$20 billion.

*List of Stocks Mentioned:*

- Citigroup (C, Strong Buy, \$44.13)*
- Goldman Sachs (GS, Strong Buy, \$82.76)*
- LaBranche (LAB, Buy, \$31.74)*
- Merrill Lynch (MER, Strong Buy, \$48.27)*
- Morgan Stanley (MWD, Strong Buy, \$49.88)*

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