

## THE INVESTMENT OPPORTUNITY

Keefe, Bruyette & Woods, the parent company of KBWAM, has a long history of successful investment in the financial services sector. From the founding days of the firm, 100% of the firm's capital has been at risk invested in financial services stocks whether it be on our trading desk, underwriting commitments for capital raising efforts, or outright investments in public/private financial services companies. In addition, 100% of the firm has always been owned by its employees. Time and again we've witnessed the success of companies whose managers think and act like owners because they are substantial owners of their firm.

Research has been the hallmark of KBW since its founding and continues to be the linchpin to help make all our businesses successful. That success is based on an intimate knowledge of specific managements, their business practices and their franchise value. Investing exclusively in the financial services sector, KBWAM has earned above-average returns with below-average risk. This same time-tested methodology and valuation framework is employed in all funds under management. Our focus is on absolute returns, and investments are made to take advantage of both positive and negative news and trends.

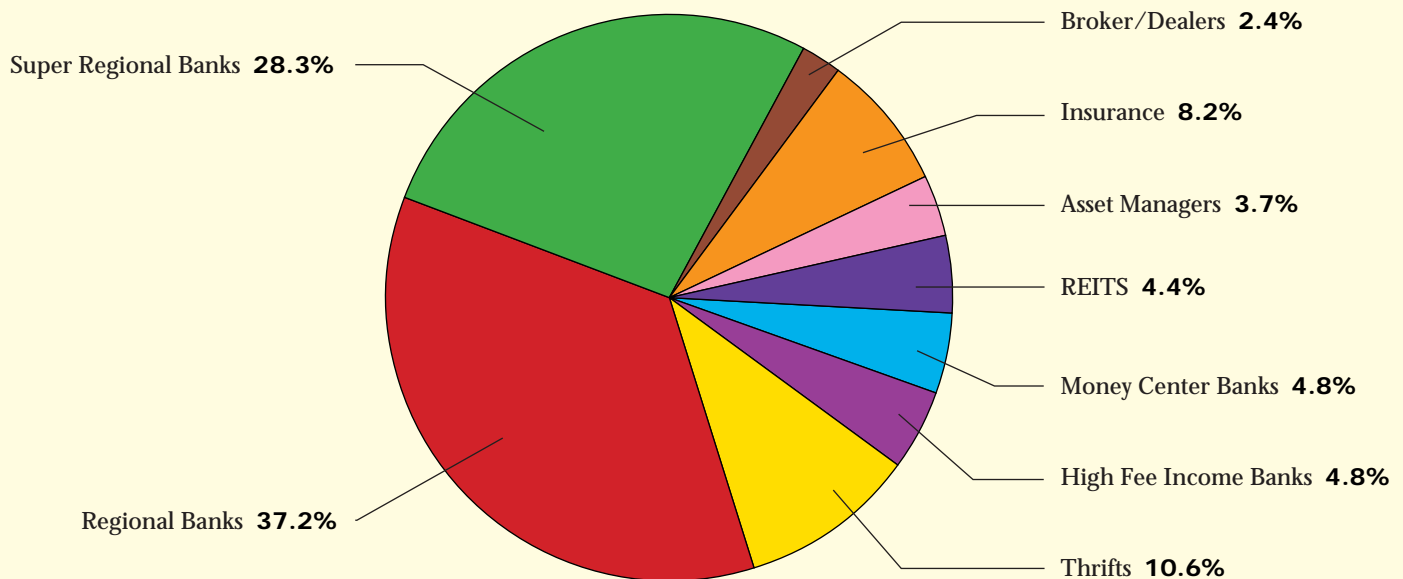
*This document is intended for informational purposes only. It is not an invitation or offer to purchase interests in the Fund. Any representation to the contrary is unintentional. The Offering Memorandum, Subscription Agreement and Limited Partnership Agreement are available to those individuals that the General Partner believes will be eligible for participation and demonstrate the capacity to evaluate the risks and merits of this investment. The past performance discussed herein is no indication of future results. This document is produced solely for the specified recipient. Furthermore, by accepting this information, you agree not to transmit, reproduce or make available to any other person all or any part of this information.*

Some of the key trends KBWAM believes will continue to create attractive investment opportunities within the financial services sector include:

- **Globalization of financial service practices** with the advantage of economies of scale and the export of proven strategies and business models to other markets.
- **Deregulation, convergence and consolidation across financial services sectors** should serve to create attractive investment opportunities. All financial services sectors can now be housed under the same roof for the second time in history in the United States;
- **A technological revolution is transforming business practices in the financial services sector** creating opportunities to reach and understand customers as never before and to deliver financial services more efficiently and effectively;

We are fortunate within the financial services sector to find investment opportunities in both value and growth spectrums. For example, we find Graham and Dodd type investment opportunities with the public conversion of mutual savings banks and insurance companies trading well-below liquidation values. We also find high growth, well-managed financial services companies trading well below their long-term growth rates. There is no shortage of attractive investment opportunities KBWAM sees on the horizon as these major trends evolve over the next decade. With KBWAM's expertise and focus we believe we will continue to achieve above-average returns while taking below-average risk in our portfolios.

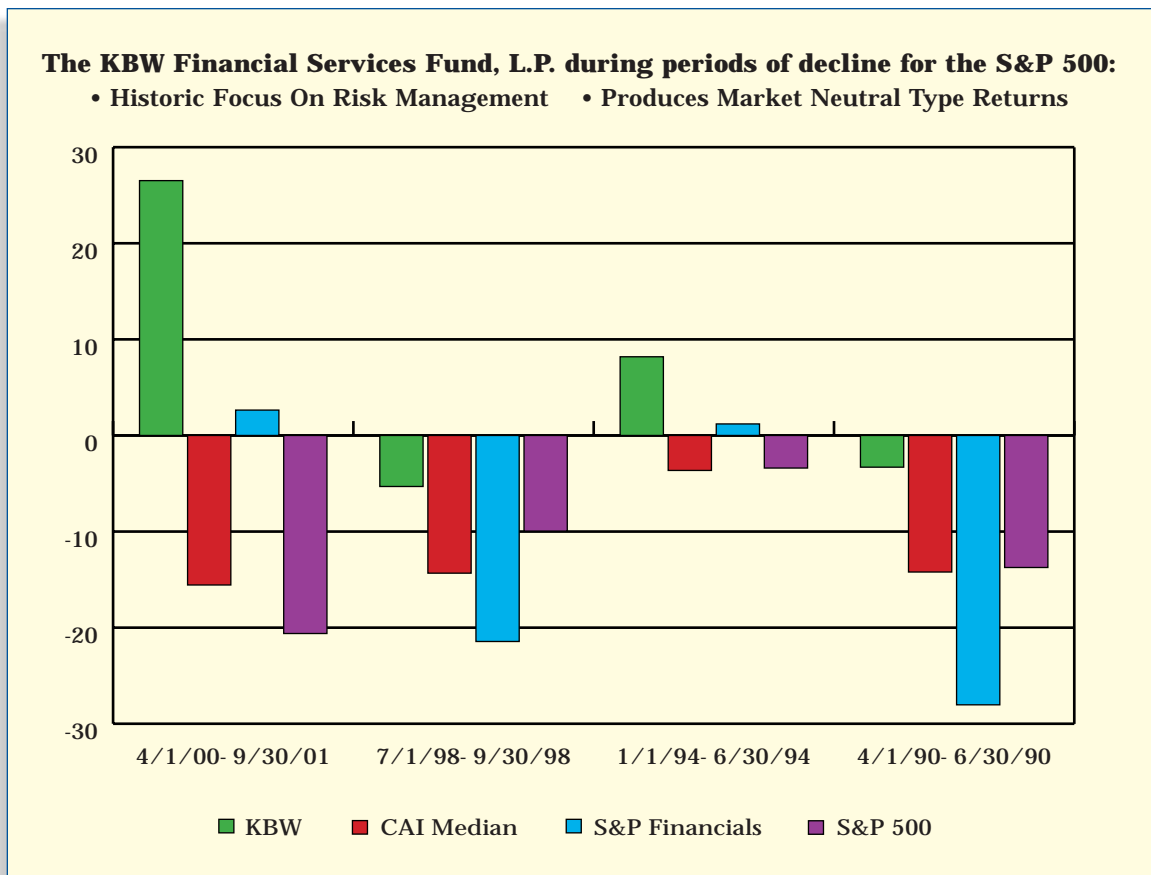
## EXAMPLE OF PAST PORTFOLIO DIVERSIFICATION





**KBW Financial Services Fund, L.P.**  
**KBW Small Cap Financial Services Fund, L.P.**

*Long/Short Returns with Market Neutral Characteristics*  
*Risk Management In Declining Markets*



**KBW FINANCIAL SERVICES FUND, L.P.** The Fund is a limited partnership that invests in the securities of companies involved in the financial services sector and has the ability to invest both long and short in stocks and bonds, and to establish option positions. The Fund is also able to utilize leverage and hedging techniques at the discretion of the manager. The goal of the Fund is to harness KBW Asset Management’s industry knowledge, experience and long-standing relationships in the financial services sector to earn above-average returns with below-average risk.

**KBW ASSET MANAGEMENT, INC.**

787 SEVENTH AVENUE, 4<sup>TH</sup> FLOOR, NEW YORK, NY 10019  
 212/554-2600

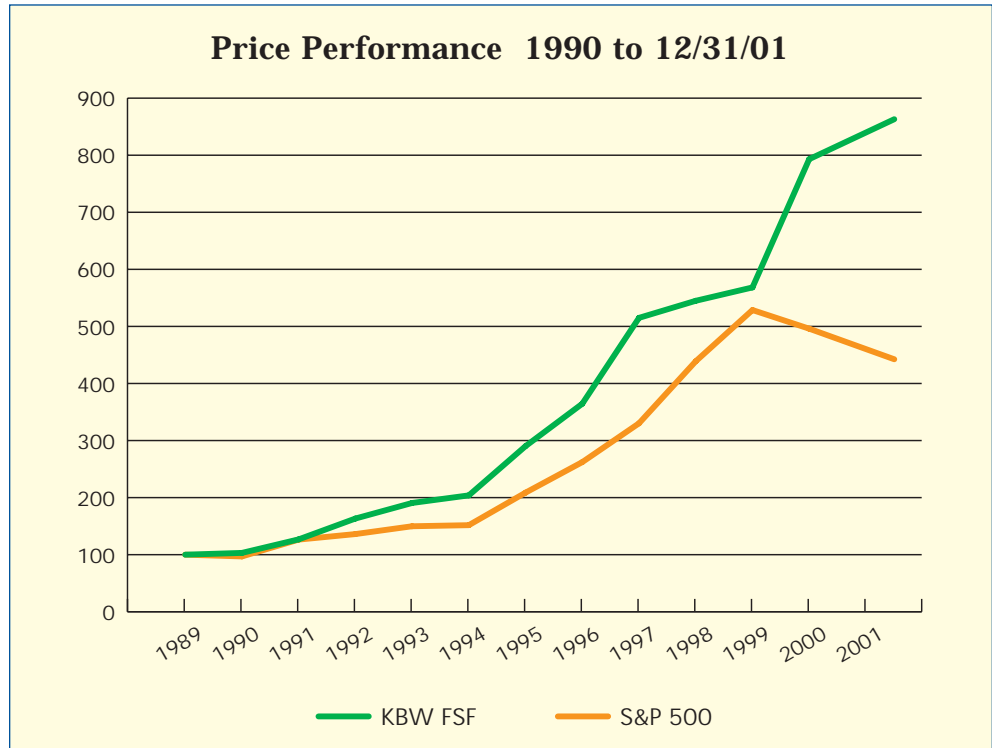
**Charles H. Lott, Chairman** [clott@kbw.com](mailto:clott@kbw.com)  
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**Michael T. O'Brien, President & CEO** [mobrien@kbw.com](mailto:mobrien@kbw.com)

## MORE RETURN

Compound Annual  
Rate of Return

**KBW  
FINANCIAL  
SERVICES FUND  
+21.4%**

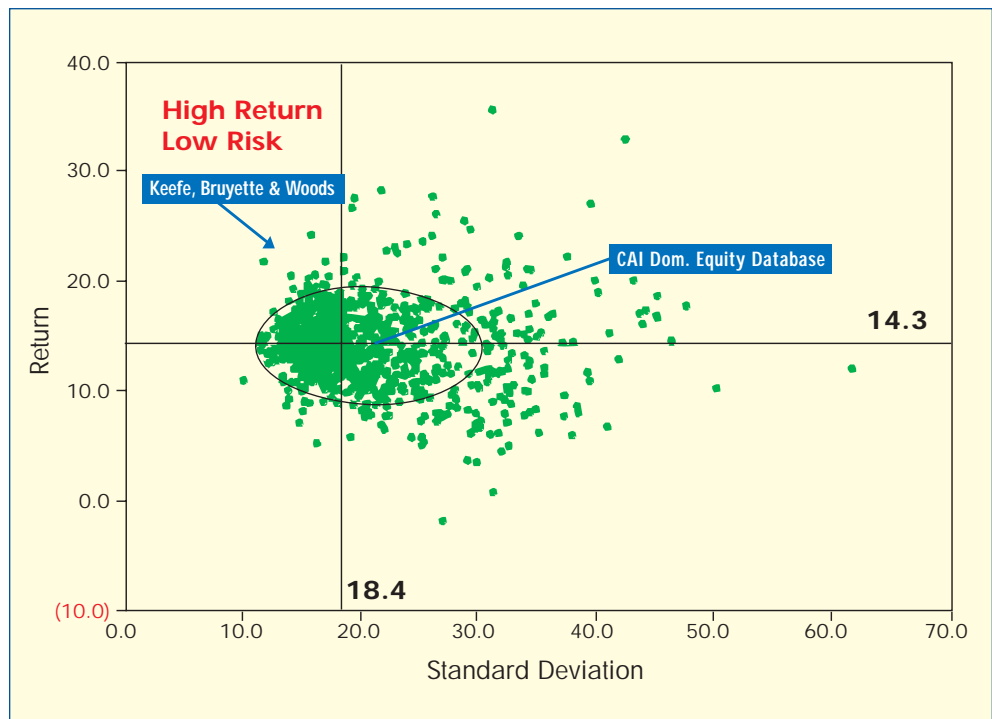
**STANDARD & POOR'S 500  
+14.1%**



## LESS RISK

Keefe, Bruyette & Woods  
Returns/Standard Deviation  
vs. CAI Dom. Equity Database  
7 Years Ended  
September 30, 2001

Callan Associates Inc.

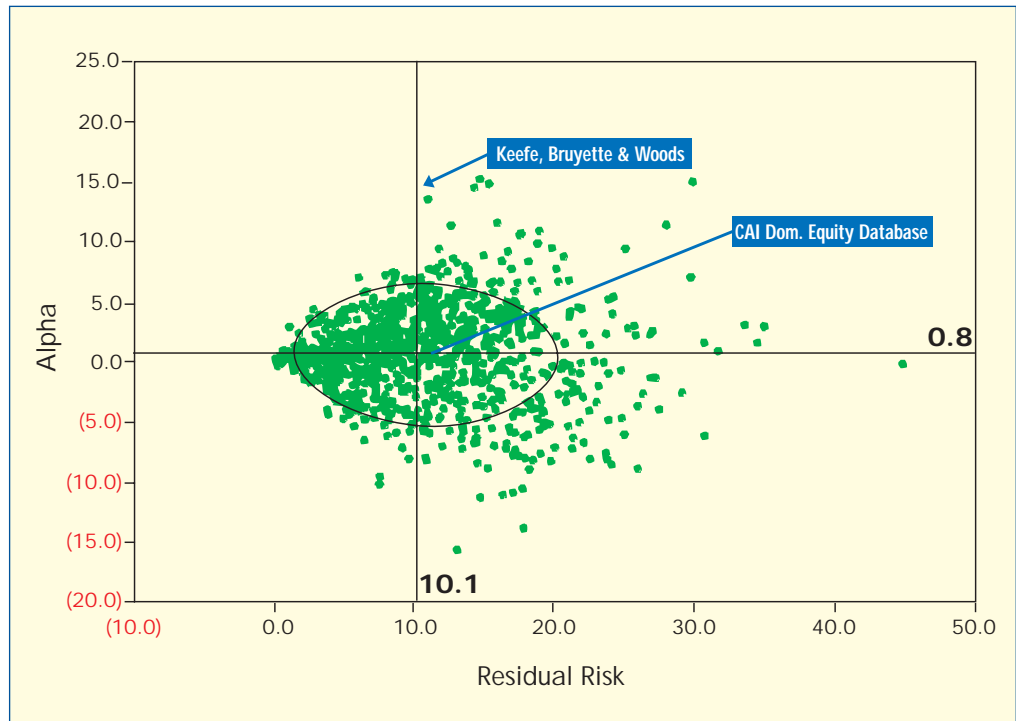


## POSITIVE ALPHA

Keefe, Bruyette & Woods  
Alpha / Residual Risk vs.  
CAI Dom. Equity Database  
7 Years Ended  
September 30, 2001

Benchmark: S&P 500

Callan Associates Inc.

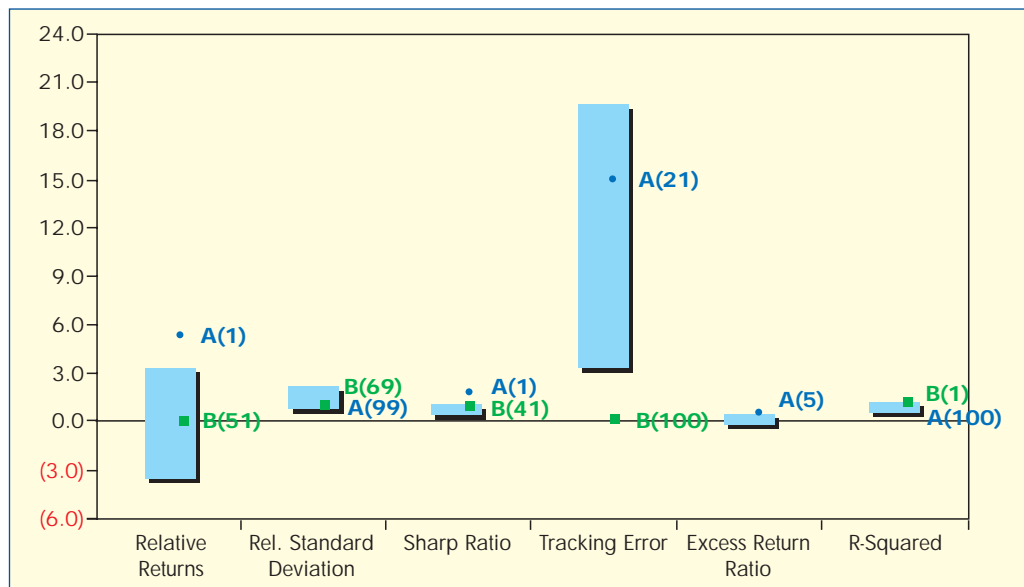


## LOW CORRELATION TO EQUITY MARKET

Keefe, Bruyette & Woods  
Multiple Statistics vs.  
CAI Dom. Equity Database  
for 7 Years Ended  
September 30, 2001

Benchmark: S&P 500

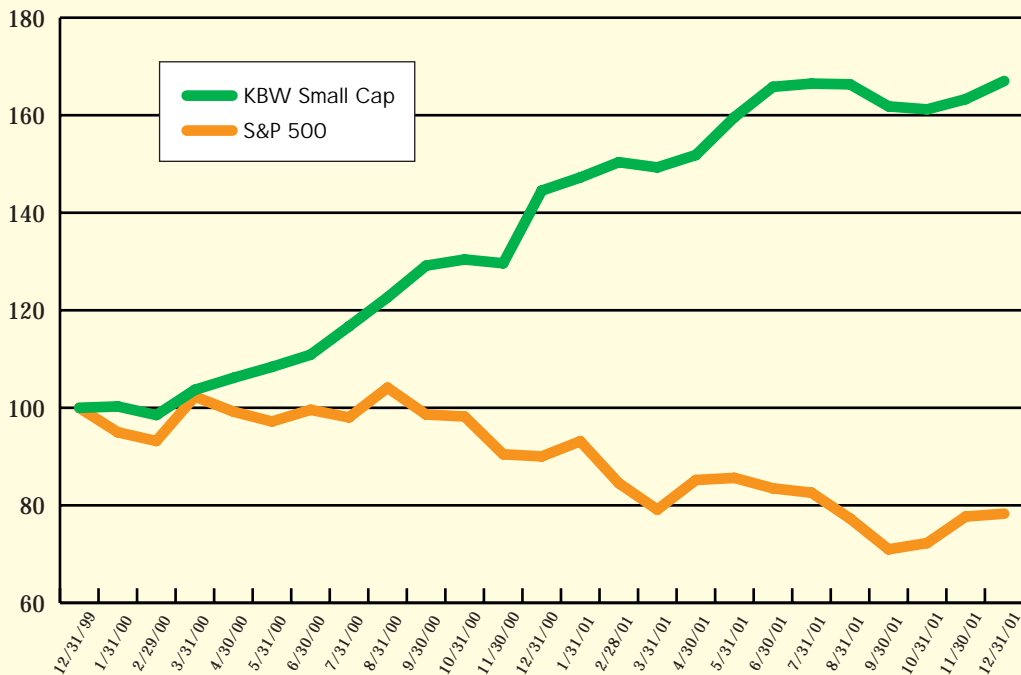
Callan Associates Inc.



10th Percentile	3.34	1.82	0.73	19.67	0.40	0.97
25th Percentile	1.63	1.38	0.59	15.15	0.19	0.90
Median	0.02	1.08	0.48	11.00	0.01	0.73
75th Percentile	(1.87)	0.97	0.32	6.71	(0.17)	0.57
90th Percentile	(3.55)	0.87	0.20	3.37	(0.35)	0.43
Keefe, Bruyette & Woods ● A	8.19	0.72	1.49	15.97	0.51	0.19
S&P 500 ■ B	0.00	1.00	0.52	0.00	--	1.00



**The KBW Small Cap Financial Services Fund, L.P. vs. S&P 500**  
**Growth of a \$100 investment (12/21/99 - 12/31/01)\***



\* Reflects results of an investment from inception, including hot issue participation, before fees and with dividends reinvested.

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**KBW SMALL CAP FINANCIAL SERVICES FUND, L.P.** The Fund is a limited partnership that invests in the securities of companies involved in the financial services sector with market capitalizations under \$2 billion and has the ability to invest both long and short in stocks and bonds, and to establish option positions. The Fund is also able to utilize leverage and hedging techniques at the discretion of the manager. The goal of the Fund is to harness KBW Asset Management's industry knowledge, experience and long-standing relationships in the financial services sector to earn above-average returns with below-average risk.

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