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Press Release

For immediate release

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Expanded 'toolkit' in place for UK Equity Income Fund

Additional flexibility has been approved for the £120 million F&C UK Equity Income Fund as manager Phil Doel seeks to diversify its potential sources of income. The Fund has previously had a narrower brief than its sector rules allow, focusing it on stocks that yield more than the FTSE All-Share Index. However as a result of recently adopted enhancements it will have the scope to invest a small proportion of its assets in instruments such as corporate bonds, shares, covered call options and up to 10% non-UK equities as and when Doel believes this will enhance returns. The Fund will however remain predominantly invested in equities (including preference shares and convertible bonds) with the fixed income holdings not exceeding 20% of the portfolio, in accordance with the IMA UK Equity Income sector rules.

"With interest rates at record low levels, yet the potential for inflation on the horizon, equity income funds have a natural place on radar of many investors", said Doel. "The changes to the Fund provide us with a 'tool kit' that broadens the opportunity set and provide more flexibility for enhancing returns through different points in the cycle".

Doel has already made a number of changes to the structure of the portfolio since his appointment as manager in May, a move which marked a return to equity income management having successfully managed the M&G European Dividend Fund until he left M&G in 2001. For example, he has sold down positions in BP and Shell by around 4%. Whilst both are likely to continue to pay dividends, the business models are under pressure and the prospects for material growth in dividend payments are poor. They had accounted for far too large a proportion of the Fund's yield and Doel is looking to diversify sources of income.

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F&C Asset Management plc is the listed holding company of the F&C Group.

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Doel concluded: “The greater flexibility provided will not result in major short term changes to the Fund and the overall investment objective will remain the same. This is all about putting the right framework in place for the future”.

- Ends -

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Notes to Editors

F&C Investments

- F&C Asset Management (F&C) is an independent London Stock Exchange listed asset management group with around 100,000 shareholders.
- F&C traces its origins to 1868 with the launch of the Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.
- F&C is an active fund manager with a multi-specialist investment model where individual teams have strong accountability for their products and processes. The group is also an active shareholder with a leading franchise in governance and sustainable investment.
- F&C manages £88.3 billion of assets* for a diverse range of institutional, insurance and retail clients across all major asset classes – equities, bonds, cash and property – as well as alternative and specialist product classes such as Socially Responsible Investment funds, hedge funds, private equity funds and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.
- F&C REIT Asset Management is the group's global property asset management business. It was formed in 2008 from the merger of F&C's property division and REIT Asset Management. F&C REIT operates from offices in London, Dublin, Munich, Mumbai and Stockholm.
- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has a global office network spanning a dozen countries: China (Hong Kong), France (Paris), Germany (Frankfurt & Munich), India (Mumbai), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), UK (London, Edinburgh, Dorking) and the United States (Boston).
- In March 2009 F&C signed a Memorandum of Agreement with Hua Xia Bank, one of China's twelve nationwide joint stock commercial banks, to establish a joint venture fund management company in China in which F&C will have a 19.5% interest.

* As at 30 June 2009.