



## F&C Asset Management plc

### Interim management statement

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**30 October 2009**

F&C Asset Management plc ("F&C" or "the Group") is today issuing an Interim Management Statement as required by the UK Listing Authority's Disclosure and Transparency Rules. This statement covers the three months to 30 September 2009.

#### Highlights

- **Assets under Management of £99.2 billion, up 12.3% from 30 June 2009**
- **Good progress with consultants and mandate wins in Liability Driven Investments**
- **Balance sheet strengthened through debt exchange transaction**

Alain Grisay, Chief Executive of F&C, commented:

*"Over the quarter our assets under management have benefited strongly from a combination of higher market levels and favourable currency movements. Against an improving market backdrop, we have also made further progress with investment consultants, none of whom now have F&C on a corporate 'hold' or 'sell' view. In particular we are gaining traction in Liability Driven Investments which will help us build flow momentum into 2010.*

*While our primary focus remains organic growth, we will continue to consider bolt-on acquisition opportunities where they have the potential to strengthen our product offering and generate shareholder value."*

#### Assets under Management

Globally equity markets have continued to rise sharply since the half-year with the FTSE 100 Index closing at 5,134 points on 30 September. This represents a 46 per cent increase (excluding dividends) since hitting its low of 3,512 points in March. Fixed income markets were also positive over the quarter.

Rising market indices have been strongly beneficial for our assets under management, with some of the sharpest increases in our highest fee client categories (UK Retail and Global Wholesale) which are biased towards those asset classes which have staged the strongest recoveries.

Additionally, as a business with strong Eurozone client base, our assets under management also benefited from a 6.8 per cent strengthening of the Euro against Sterling over the quarter. This increased Sterling reported assets under management by £3.8 billion. As at 30 September some 57 per cent of our assets under management were denominated in Euros.

F&C Management Limited is authorised and regulated by the Financial Services Authority (FSA) FRN: 119230. Limited by shares. Registered in England and Wales, No 517895. Registered address and Head Office: Exchange House, Primrose Street, London EC2A 2NY.

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

F&C Management Limited is a member of the F&C Group and a subsidiary of F&C Asset Management plc.

As previously disclosed, during 2008 the Group entered into a series of forward currency contracts to provide certainty to the Sterling value of a portion of its Euro denominated cash flows at a time when the Euro/Sterling exchange rate was approximately 1.24. The remainder of these forward currency contracts mature in December 2009 (€30 million) and June 2010 (€15 million). Given the current outlook it is not our intention to put any further forward currency hedges in place. Should this situation change we will notify the market.

Notwithstanding the positive progression of market indices and the stabilisation of the banking system, the underlying economic environment remains challenging. We remain cautious in our outlook given the speed and extent of the market recovery. While we see an improvement in risk appetite from some clients, with growing interest in Emerging Equities and specialist sub-classes of fixed income, some of our Continental European clients continued to de-risk their portfolios during the third quarter.

### **Fund Flows**

The Group experienced a £382 million net outflow during the quarter, compared to £2.57 billion of net outflows in the same period last year (excluding assets added through the acquisition of REIT Asset Management). Insurance net outflows of £266 million were at their lowest level since Q4 2004.

We generated gross inflows of £456 million of new institutional business during the quarter, consistent with the same period last year, but with a pipeline of unfunded new mandates in-line with that disclosed at our interim results and some three times the size of the pipeline we had in place at the end of Q3 2008. New mandates in the pipeline cover a variety of asset classes including Emerging Equities, Emerging Market Debt, Convertible Bonds, UK Credit and ESG (Environmental, Social and Governance) products but with the greatest progress being made in LDI (Liability Driven Investments) where we now have strong consultant support totalling 14 'buy' ratings. We are also in the process of launching new LDI products to complement existing pooled and segregated solutions. Our momentum in LDI is presenting us with increased opportunities to discuss other higher fee capabilities.

In the mutual funds industry, core investment grade credit funds have continued to enjoy strong support during the quarter, a trend that we did not capture because of the specialist nature of our mutual fund fixed income product range (High Yield, Convertible Bonds, Emerging Market Debt and Strategic Bonds). Our mutual fund flows (UK Retail and International Wholesale) were marginally positive during the quarter.

### **Debt Exchange Transaction**

During the quarter we took advantage of prevailing conditions in the subordinated debt market to reduce gross and net debt by £30.3 million via a debt exchange offer to holders of our subordinated loan notes. As part of this transaction we undertook an additional fund raising which enabled us to refinance £25 million of the £35 million vendor loans relating to the acquisition of REIT Asset Management in 2008, the remainder of which are due for repayment in June 2010. As a result of these transactions the Group now has reduced gross debt from £295 million to £264.7 million.

- ENDS -

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## Assets Under Management and Fund Flows

The tables below disclose Assets Under Management (AUM) at 30 September 2009 and Fund flows for the nine months to 30 September 2009.

<b>1. Assets Under Management</b>	<b>30 Sept 2009 £bn</b>	<b>30 June 2009 £bn</b>	<b>31 December 2008 £bn</b>
Insurance Funds	58.7	53.0	57.0
Institutional Funds	27.5	24.8	28.6
Sub-Advisory	4.2	2.8	4.8
Investment Trusts	5.0	4.5	4.9
UK Retail (Mutual Funds)	2.5	2.1	2.2
International Wholesale (Mutual Funds)	1.3	1.1	1.1
<b>Total</b>	<b>99.2</b>	<b>88.3</b>	<b>98.6</b>

	<b>30 Sept 2009 €bn</b>	<b>30 June 2009 €bn</b>	<b>31 December 2008 €bn</b>
Insurance Funds	64.2	62.2	59.0
Institutional Funds	30.1	29.1	29.5
Sub-Advisory	4.6	3.3	5.0
Investment Trusts	5.5	5.3	5.1
UK Retail (Mutual Funds)	2.7	2.5	2.3
International Wholesale (Mutual Funds)	1.4	1.3	1.1
<b>Total</b>	<b>108.5</b>	<b>103.7</b>	<b>102.0</b>

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<b>2. Assets Under Management by Asset Class</b>	<b>30 Sept 2009 £bn</b>	<b>30 June 2009 £bn</b>	<b>31 December 2008 £bn</b>
Fixed Interest	59.7	53.0	60.6
Equities	24.5	20.5	24.3
Property	8.0	7.9	7.9
Other Alternative Investments	1.7	1.4	2.4
Money Market	5.3	5.5	3.4
<b>Total</b>	<b>99.2</b>	<b>88.3</b>	<b>98.6</b>

	<b>30 Sept 2009 €bn</b>	<b>30 June 2009 €bn</b>	<b>31 December 2008 €bn</b>
Fixed Interest	65.3	62.2	62.6
Equities	26.8	24.1	25.2
Property	8.7	9.2	8.1
Other Alternative Investments	1.9	1.7	2.6
Money Market	5.8	6.5	3.5
<b>Total</b>	<b>108.5</b>	<b>103.7</b>	<b>102.0</b>

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### 3. Fund Flows

#### a) Fund flows for the nine months to 30 September 2009

<b>Client Category</b>	<b>Inflows £m</b>	<b>Outflows £m</b>	<b>Net £m</b>
Insurance Funds	N/A	N/A	(1,942)
Institutional	1,988	(3,517)	(1,529)
Sub Advisory*	103	(1,168)	(1,065)
Investment Trusts	36	(182)	(146)
UK Retail (Mutual Funds)	208	(299)	(91)
International Wholesale (Mutual Funds)	240	(150)	90
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>(4,683)</b>

#### b) Fund flows for the quarter to 30 September 2009

<b>Client Category</b>	<b>Inflows £m</b>	<b>Outflows £m</b>	<b>Net £m</b>
Insurance Funds	N/A	N/A	(266)
Institutional	456	(1,023)	(567)
Sub Advisory*	528	(77)	451
Investment Trusts	21	(50)	(29)
UK Retail (Mutual Funds)	78	(103)	(25)
International Wholesale (Mutual Funds)	110	(56)	54
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>(382)</b>

\*Sub advisory inflows in the quarter to 30 September include £494m of inflows arising from fund restructuring and which were reported as outflows in Q2 2009. The inflows and outflows shown for sub advisory for the nine months to 30 September have both been reduced by £494m to negate the overall impact of flows arising from the restructuring

## Forward-looking statements

This interim management statement may contain “forward-looking statements” with respect to certain of F&C Asset Management plc’s (FCAM) plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words “believes”, “intends”, “expects”, “plans”, “seeks” and “anticipates”, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond FCAM’s control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation and deflation; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which FCAM and its affiliates operate. As a result, FCAM’s actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in FCAM’s forward-looking statements. FCAM undertakes no obligation to update the forward-looking statements contained in this statement or any other forward-looking statements it may make. Nothing in this publication should be considered as a profit forecast.

## Notes to Editors

### About F&C Asset Management PLC

F&C Asset Management PLC (“F&C” or “the Group”) is the London Stock Exchange listed holding company for the F&C group of companies. F&C is an independent investment management group which manages assets for a diverse range of insurance, institutional and retail clients.

F&C has a rich heritage and traces its origins to the launch of the Foreign & Colonial Investment Trust, the first ever investment trust, in 1868. F&C pioneered areas such as emerging markets investment, socially responsible investment and closed-end funds.

Headquartered in London, but with an office network spanning a dozen countries, the group has historically been focused on Europe but has recently been developing a distribution presence in Asia, the Americas and Middle East.

F&C is a multi-specialist investment group where individual teams have strong accountability for the development of their own processes. F&C is focused on active rather than passive fund management. The group invests across all major asset classes as well as a number of specialist areas including commercial property, private equity funds and hedge funds. F&C also provides solution-driven and advisory services such as ESG (Environmental, Social and Governance) overlays, Liability Driven Investments, asset allocation, multi-management and, in the Netherlands, fiduciary management.

In 2008 F&C strengthened its commercial property asset management capabilities through the merger of its existing property fund management business with REIT Asset Management to create F&C REIT Asset Management. F&C group has a 70 per cent interest in F&C REIT.

As part of its long-term growth strategy, in 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 minority interest.

In July 2009 F&C became fully-independent following the distribution of Friends Provident’s controlling stake in F&C to its own shareholders resulting in broad ownership of F&C by institutional and private investors.