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Press Release

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F&C managed investment trusts offer post-Budget advantage for top earners

** Innovative structures of Investors Capital Trust and European Assets Trust
could benefit those looking to convert income to capital **

Investors who will be hit by the new 50% top rate of income tax announced in last month's Budget could benefit from the innovative share structure of Investors Capital Trust, an income-focused investment trust managed by Rodger McNair at F&C Investments.

The company pays a quarterly distribution and has a net dividend yield of 9% (correct at 31 March 2009). Investors in the A shares of Investors Capital Trust receive this income as a dividend, which is paid net of dividend income tax and will attract a further tax charge for higher-rate taxpayers. But with the B shares, the payouts - equal in value to those on the A shares - are classed as a return of capital, and are thus taxed quite differently.

Capital returns come under the capital gains tax regime, but CGT is not normally due on the quarterly distributions, as these are treated as 'small capital receipts' and do not even need to be included on the investor's tax return. It is only when the B shares are sold that a CGT liability may arise, and with the gap between CGT at 18% and the top rate of income tax of 50% (to be introduced on incomes above £150,000 a year in April 2010) standing at 32 percentage points, high earners may well prefer the CGT regime. Gains below the annual CGT threshold of £10,100 are not taxable, and capital losses can also be offset against

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gains to reduce any tax liability. If the shares are held until death there is no liability to CGT at all, although they will form part of the investor's estate for inheritance tax purposes.

Of course, the value of any tax benefits is not guaranteed and could change significantly with a change of government, and investors should always take advice to make sure that an investment is suitable for their circumstances.

The portfolio of Investors Capital Trust is currently roughly half (49.8%) invested in cash and bonds, and half (50.2%) in UK equities (predominantly FTSE 100). Major holdings in the equity portfolio include such household names as Vodafone, BP and GlaxoSmithKline, while the bond portfolio includes corporate issues from Tesco and Land Securities. (All correct at 31 March 2009.)

Fund manager Rodger McNair said: "The new rules on CGT introduced last year restored the historic tax advantage that capital gains enjoyed compared with income during the 1970s. The recent announcement in the Budget of a new 50% income tax band further increases this tax advantage. Investors Capital Trust is uniquely positioned with its dual capital structure, which allows investors to choose whether they receive their quarterly cash distribution as income (A shares) or capital (B shares)."

Another fund in the F&C investment trusts stable whose distributions can be taxed as capital is European Assets Trust, a small and mid-cap specialist investing in continental Europe. Managed by Crispin Longden, European Assets Trust offers investors the option of a 'scrip dividend' where, instead of receiving distributions as cash, they are paid in the form of further shares, which come under the CGT rather than the income tax regime. However, as the shares that make up the scrip dividend are issued at net asset value, this option could be less attractive to investors if the company's shares were trading at a discount. European Assets Trust has a policy of paying predominantly out of capital an attractive dividend currently set at 6% of net asset value per year. The value of investments and any income from them is not guaranteed and can go down as well as up.

Fund manager Crispin Longden said: "In the current environment where dividend income is becoming ever scarcer, European Assets Trust's ability to pay a competitive yield of 6% is seen as a key differentiator. The underlying share portfolio is managed for long-term capital growth and capital reserves built up over many years allow for this attractive level of distribution. The option to receive the dividend in cash or shares at investors' discretion affords a high degree of flexibility."

- Ends -

For further information, or to arrange to speak to either Rodger McNair of Investors Capital Trust or Crispin Longden of European Assets Trust, contact Sarah Godfrey, communications manager for investment trusts at F&C Investments, on 020 7011 4215 or sarah.godfrey@fandc.com.

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Notes to Editors

F&C Investments

- F&C Asset Management (F&C) is a London Stock Exchange listed asset management group which traces its origins back to 1868 with the launch of 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 now manages £92.7 billion (€100.1 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, Istanbul, 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 twelve countries: China (Hong Kong), France (Paris), Germany (Frankfurt & Munich), India (Mumbai), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), Turkey (Istanbul), 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 31 March 2009.

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