



F&C Management Limited

Exchange House
Primrose Street
London EC2A 2NY

Telephone +44 (0)20 7628 8000

Facsimile +44 (0)20 7628 8188

www.fandc.com

Press Release

**For immediate release
20 October 2009**

High yield investors return to riskier credits

Over the first three quarters of 2009 high yield markets have experienced the highest total return in a generation. After a 2008 marked by investors shunning risk and a slow start in the first quarter 2009, the riskier end of the credit spectrum has led the rally as investors have suddenly shown insatiable appetite for this type of credits.

Globally, CCC-rated credits have had year-to-date returns of 80.27%*, illustrating the degree to which risk appetite has changed. As the rally continues and confidence in the economic recovery grows, more cyclical sectors including home construction and entertainment, are becoming increasingly attractive. However, defaults have been increasing this year with the high yield default rate globally hitting 12.04%*.

Kevin Mathews, co-manager of the F&C European High Yield Bond Fund along with Andrew Lake, commented: "With new issues markets now firmly open in both Europe and the US, we expect next year's default rate to be somewhat lower. Companies now have access to capital, which has extended near-term debt maturities and increased liquidity which should, in turn, result in lower default rates at least for a while."

The performance of the F&C European High Yield Bond Fund has remained strong in both absolute terms and relative to the Merrill Lynch Euro Currency High Yield BB–B ex-financials index, with the fund posting a gain of 15.76%* and outperforming the benchmark by 1.32%* (gross of fees) over the quarter. Performance has primarily been driven by the textiles, lodging, retailing and metal & mining sectors, while the more defensive sectors such as healthcare, telecommunications and electric utilities underperformed.

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.

Co-manager Andrew Lake explained: “We have been increasing risk through selling lower yielding positions and moving into primarily single B rated credits as well as some CCC rated credits. Our underweight to positions in transportation, REITs and consumer cyclical sectors like gaming and retailers, though, impacted on performance in the wake of their strong rally during the quarter. However, overweight to off index chemical issues like Huntsman contributed to performance, as did the overweight to CCC rated securities generally.”

The F&C European High Yield Bond Fund remained underweight to BB rated credits, the least risky segment of the high yield market. The fund managers have continued to add risk to the portfolio as their long-term outlook for the asset class remains positive. However, they are cautious about the possibility that the market could correct over the next few months if expectations of economic recovery are not met and the market re-prices for a more drawn out recovery.

Kevin Mathews added: “The economic outlook has almost become irrelevant in the short-term as liquidity has returned to the market. Whilst technical strength remains, the fundamental position is less clear: the consumer is still unable or unwilling to spend, unemployment still rising - albeit it is a lagging indicator - and uncertainty lingers about the resurgence of final demand once the stimulus packages are withdrawn. Although the US seems to come out of recession, the speed of recovery and whether there might be a double-dip recession are still valid questions.

Andrew Lake concluded: “We remain focused on credits which still offer value and are concentrating on companies with good stories, as chasing the market in the more risky, highly speculative issues at this stage does not seem that persuasive.”

* As at 30/09/09 (in €uro terms)

- Ends -

Press enquiries – 0207 011 4600

Véronique Sant	Communications Manager	+44 (0)20 7011 4278
Paula Garrido	Communications Manager	+44 (0)20 7011 4190
Jennifer Donohoe	Communications Manager	+44 (0) 20 7011 5017
Sarah Godfrey	Communications Manager	+44 (0) 20 7011 4215

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.

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 (€103.7 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.