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Press Release

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“2009 will be a year of upheaval”, warns Cheeseman

Speaking at a seminar in London today, Dean Cheeseman, Head of Retail Multi-Management at F&C, warned investors to brace themselves for a year of upheaval in the funds industry.

In particular, he is predicting a wave of consolidations and transactions amongst fund management groups and a dearth of new product launches. Instead, he believes that fund closures and product mergers will be the order of the day.

“We have already started to see a number of transactions announced notably the sale of SocGen’s UK asset management business to hedge fund GLG and recent announcement on plans to merge their European asset management arm with Credit Agricole. Elsewhere, the planned acquisition of Credit Suisse’s traditional asset management business by Aberdeen and of course the current bidding process taking place for New Star has been widely publicised. I believe there will be many more to follow by the end of the year”.

Cheeseman highlighted a number of drivers behind the expected wave of transactions. These include banks and other financial institutions seeking to offload their asset management divisions as they restructure their business and repair balance sheets; asset management firms who are over-exposed to either areas experiencing significant outflows (such as hedge funds and retail funds) or single asset classes that have experienced sharp declines (equities, property). Cheeseman points out that such firms will be looking for

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merger partners to assist them in diversification. Other transaction candidates include companies with highly geared balance sheets and those attracted by the potential to generate significant cost synergies.

“In summary, many asset management business models which were viewed as highly attractive not so long ago are now under stress,” said Cheeseman.

F&C's Retail Multi Manager team have provided research which demonstrates that around 30% of funds in the UK All Companies Sector are currently below £30m in size, broadly a level regarded as sub-scale. Cheeseman believes that a combination of asset management transactions, the need for many fund management companies to reduce costs, the limited prospects for significant new inflows and impaired track records on some funds will prompt a bout of industry product rationalisation.

Cheeseman concluded “Some of the smaller funds in the industry may be vulnerable to an overhaul as companies reassess products and asset management firms merge. Both investors in the funds and their advisers will need to monitor their portfolios carefully”.

“For Multi Managers, this is going to be a busy year and one where we will assess each situation that arises on its merits on behalf of the investors and advisers who entrust us with their assets. The environment is set to be challenging for the year for the industry but also one where multi-managers can add value”.

- Ends -

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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 the Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.

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- 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 £98.6 billion (€102.0 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, funds of hedge funds, private equity funds, Global Tactical Asset Allocation products and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.
- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has an office network spanning ten countries: China (Hong Kong), France (Paris), Germany (Frankfurt), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), UK (London, Edinburgh, Dorking) and the United States (Boston).

*As at 31 December 2008.

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