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Press Release

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‘Barbell’ strategy key to strong performance for global ethical fund

As the National Ethical Investment Week once again shines the spotlight on socially responsible investment vehicles, F&C – a pioneer in this field - is celebrating buoyant year-to-date returns from the F&C Stewardship International Fund, which has enjoyed strong performance during 2009 driven by a barbell strategy of both defensive and cyclical stocks.

Fund manager Terry Coles employs the barbell approach to mix defensive stocks (including consumer staples and healthcare) and cyclical sectors (such as IT and industrials), to maximise return opportunities amidst challenging global market conditions. The positive impact on performance is evident from the year to date returns – the fund is top quartile in the IMA Global Growth sector, returning 21.35% against the benchmark (MSCI World TR) return of 12.86%*, beating a universe overwhelmingly comprised of funds with no ethical screening. Of course, investors should be aware that the value of investments can fluctuate and past performance is not necessarily a guide to the future.

“While certain sectors have undoubtedly been hit by changing economic conditions, any negative impact on performance has been largely offset by strong stock selection. At the sector level, the main positive contribution so far this year has come from our overweight position in IT Hardware, and throughout 2009 our positions in companies such as Dell, Apple and Tandberg have all performed well amid a stronger IT spending environment”, Coles commented.

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

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Performance was also driven by SMA Solar, the global leader in inverters for the solar industry after a solid earnings report highlighted the company's favourable exposure to falling solar installation prices which have been spurring demand for inverters.

Coles concluded: "We continue to maintain a barbell strategy as it currently stands, owning defensive growth stocks within areas such as healthcare services and an overweight to cyclical companies within capital goods and technology. Share prices appreciated in recent months as investor sentiment improved and the impact of government economic stimulus packages helped stocks claw back some of the losses sustained towards the end of 2008 and earlier this year. Continued improvement in economic data including Institute of Supply Management (ISM) new orders in the US and OECD leading indicators suggest that the worst of the recession is behind us."

"However, given this year's significant positive moves in equity markets globally, a continued improvement in economic data is likely to be required to take equity markets higher. Overall, we are targeting companies with valuation support, solid long-term growth prospects and those that are leveraged to an economic recovery". Please be aware that these are the individual views and not necessarily those of F&C Investments. They do not constitute financial advice.

One remarkable evolution in ethical investing has been expansion to emerging markets, as research capability has increased and markets become more globalised. As a result, much like unscreened funds, ethical funds are also spreading beyond their traditional stomping ground of the UK and US, to include stocks in Asia and Latin America. As a result, F&C now offer a range of ethical funds that reflect the same sustainable development principles, environmental concerns and active engagement that those of its 25 year-old UK fund, bringing the total of ethically-screened assets to nearly £3bn.

Karina Litvack, Head of Governance & Sustainable Investment (GSI) at F&C, commented: "F&C is increasingly engaging with companies from the emerging market economies, as investors look towards Asia and Brazil to drive the return of global growth. Companies in countries such as China, Japan and Korea are beginning to take promising steps to raise their standards of ethical, environmental and social practice, and are beginning to understand how these improvements can win over investors; nevertheless, there are still very significant challenges ahead, which will require a great deal of constructive engagement to resolve".

Litvack believes that investors now have the opportunity to create a 'virtuous circle', actively engaging with and influencing emerging market companies to improve their ethical/environmental/social policies and ensure that investing ethically on a global scale offers both good returns and a chance to improve how these companies conduct themselves.

“Whilst there are fantastic opportunities to generate returns in emerging markets, global ethical funds that focus on these regions can offer a dual benefit: financial growth and the ability to make a real difference in driving behavioural change. The focus needs to shift to delivering sustainable growth in every sense of the term – financial, environmental and social – for the parts of the world that need it most and to the benefit of investors.”

Notes:

The F&C Stewardship International Fund was launched in October 1987 and adopts the same screening process employed by the F&C Stewardship Growth and F&C Stewardship Income Funds, whereby companies are screened against strict positive and negative criteria set by an independent Committee of Reference, to determine a universe of companies suitable for inclusion. From an investment perspective, the portfolio is managed by Sophie Horsfall and Terry Coles within the F&C Global Equities team who, within Stewardship’s ethical constraints, identify attractive investment opportunities from around the world. The team adopts a process which blends the identification of compelling investment themes with detailed company analysis to create a portfolio of high conviction ideas.

*As at 30 09 09.

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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.

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- F&C manages £99.2 billion (€108.5 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 September 2009.