



## F&C Asset Management plc

### Interim management statement

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3 May 2011

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 31 March 2011.

#### Highlights

- **Assets under Management (AUM) increased to £106.1 billion at 31 March 2011**
- **Net inflows (excluding insurance) of £195 million in the three months to 31 March 2011**
- **Pipeline of unfunded new institutional business increased to £1.7 billion at 31 March 2011**
- **Consolidated supervision waiver renewed with expiry date extended to April 2016**

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

*“The first quarter saw a challenging backdrop for investors with upheaval across the Middle East and North Africa, rising oil prices, the natural disaster in Japan and the ongoing European sovereign debt crisis. Against this backdrop F&C posted another quarter of net inflows, ex. insurance, with an improving revenue mix. While the Board review of strategy is ongoing, management’s operational focus remains the delivery of strong investment performance, new business generation and the completion of our back and middle office outsourcing project. Overall the business continues to trade in line with management’s expectations.”*

#### Assets under Management

The Group’s AUM increased from £105.8 billion at 31 December 2010 to £106.1 billion at 31 March 2011.

AUM was positively impacted by a 3.2 percent appreciation in the Euro against Sterling, higher equity market levels and net business inflows (excluding insurance). Negative impacts on AUM were a decline in fixed income market levels and an approximate £0.7 billion reduction in the value of derivative contracts held for hedging purposes within client portfolios.

#### Business Flows

During the first quarter we saw net inflows, excluding insurance funds, of £195 million.

We generated gross new institutional business of £1.1 billion (Q1 2010: £0.9 billion) with an additional pipeline of £1.7 billion of won but unfunded mandates at the end of the quarter (31 December: £1.5 billion).

Gross sales of open-ended funds (onshore and offshore) were £1.5 billion (Q1 2010: £0.5 billion) and net sales were £631 million. These included assets added following the appointment of our emerging equities team with effect from 1 February as manager of two Dublin-domiciled open-ended funds. Following notified and expected outflows during the transition of these funds to our management, the AUM in these funds was £0.4 billion at 31 March and had reduced to £0.3 billion as at 26 April.

As a result of the average revenue margin on offshore open ended funds being some 9 times greater than the revenue margin on insurance assets and approximately 3.8 times greater than that on institutional assets, these net flows will have a more significant impact on the Group's revenues than on our AUM.

## **Business Developments**

As previously announced the Board is conducting a review of strategy, which is ongoing. Details of the outcome of this review will be reported to the market in due course. In the meantime we continue to focus on the implementation of previously announced plans.

A key initiative is our project to outsource certain operational functions to a specialist provider, which will improve the flexibility of our cost base. Subject to final Board approval, we remain on track to sign an agreement with our preferred supplier by the end of Q2 2011.

We have also launched, or are in the process of launching, a number of new products. These include UCITS III absolute return funds investing in European Equities, Global Emerging Markets and Global High Yield Bonds. The Group's strength in sustainable investing has recently been recognised by our appointment by the National Employee Savings Trust (NEST) to manage their Ethical Fund option.

The Group operates under an FSA waiver from meeting any minimum capital requirements under the consolidated supervision rules of the Capital Requirements Directive, as do a number of its peers. This waiver was due to expire at the end of 2011. During the quarter we applied to renew this waiver and can confirm that the FSA has extended its expiry date until April 2016.

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## **For further information please contact:**

### **F&C Asset Management**

Jason Hollands – Director, Head of Corporate Affairs

+44 (0) 20 7011 4168

[jason.hollands@fandc.com](mailto:jason.hollands@fandc.com)

### **Tulchan Communications**

Christian Cowley / John Sunnucks

+44 (0) 20 7353 4200

[F&C@tulchangroup.com](mailto:F&C@tulchangroup.com)

## **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.

## 1. Summary of AUM and Flows

	AUM 1 January 2011 £bn	Jan – Mar Inflows* £bn	Jan – Mar Outflows* £bn	Jan – Mar Insurance net flows £bn	Jan – Mar Market movement £bn	AUM 31 March 2011 £bn
F&C Group ex. Thames River	100.5	2.2	(2.1)	(0.7)	0.8	100.7
Thames River	5.3	0.4	(0.3)	-	-	5.4
<b>Total</b>	<b>105.8</b>	<b>2.6</b>	<b>(2.4)</b>	<b>(0.7)</b>	<b>0.8</b>	<b>106.1</b>

\* Excluding insurance flows

Further analysis of assets and flows is given in the subsequent sections of this announcement.

## 2. Assets Under Management (AUM)

### (a) AUM – by client category

In Sterling	31 March 2011 £bn	31 December 2010 £bn
Insurance Funds	59.2	59.5
Institutional Funds	29.1	29.3
Sub Advisory	3.1	3.0
Investment Trusts <sup>1</sup>	6.0	5.9
Open Ended Funds (UK Onshore) <sup>2</sup>	3.8	3.5
Open Ended Funds (Offshore) <sup>3</sup>	4.9	4.6
<b>Total Open Ended Funds</b>	<b>8.7</b>	<b>8.1</b>
<b>Total</b>	<b>106.1</b>	<b>105.8</b>

In Euros	31 March 2011 €bn	31 December 2010 €bn
Insurance Funds	67.0	69.4
Institutional Funds	32.9	34.2
Sub Advisory	3.5	3.5
Investment Trusts <sup>1</sup>	6.8	6.9
Open Ended Funds (UK Onshore) <sup>2</sup>	4.3	4.1
Open Ended Funds (Offshore) <sup>3</sup>	5.5	5.4
<b>Total Open Ended Funds</b>	<b>9.8</b>	<b>9.5</b>
<b>Total</b>	<b>120.0</b>	<b>123.5</b>

<sup>1</sup> Includes all listed closed ended companies managed by the Group

<sup>2</sup> UK domiciled OEICs and Unit Trusts

<sup>3</sup> Includes Luxemburg SICAV funds, Dublin domiciled OEICs, open ended Cayman funds and funds of alternative investment funds

**(b) AUM – by asset class**

<b>In Sterling</b>	<b>31 March 2011 £bn</b>	<b>31 December 2010 £bn</b>
Fixed Interest	60.6	62.0
Equities	29.2	28.7
Property	8.2	8.2
Alternative Investments <sup>4</sup>	2.3	2.4
Liquidity	5.8	4.5
<b>Total</b>	<b>106.1</b>	<b>105.8</b>

<b>In Euros</b>	<b>31 March 2011 €bn</b>	<b>31 December 2010 €bn</b>
Fixed Interest	68.5	72.4
Equities	33.0	33.5
Property	9.3	9.6
Alternative Investments <sup>4</sup>	2.6	2.8
Liquidity	6.6	5.2
<b>Total</b>	<b>120.0</b>	<b>123.5</b>

<sup>4</sup> Alternative Investments includes non-UCITs Alternative Investment Funds, Funds of Alternative Investments Funds, Private Equity Funds and fund based products with active derivative overlay strategies.

### 3. Fund Flows

#### a) Fund flows for the three months to 31 March 2011

Client Category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(690)
Institutional Funds	1,102	(1,390)	(288)
Sub Advisory	25	(116)	(91)
Investment Trusts	-	(57)	(57)
Open Ended Funds (UK Onshore)	193	(153)	40
Open Ended Funds (Offshore)	1,276	(685)	591
<b>Total Open Ended Funds</b>	<b>1,469</b>	<b>(838)</b>	<b>631</b>
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>(495)</b>
<i>of which relates to Thames River</i>	431	(337)	94

#### b) Fund flows for the twelve months to 31 December 2010

Client Category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(780)
Institutional Funds	3,941	(3,180)	761
Sub Advisory	353	(896)	(543)
Acquisition of Thames River	4,232	-	4,232
Investment Trusts	140	(511)	(371)
Open Ended Funds (UK Onshore)	712	(492)	220
Open Ended Funds (Offshore)	994	(789)	205
<b>Total Open Ended Funds</b>	<b>1,706</b>	<b>(1,281)</b>	<b>425</b>
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>3,724</b>
<i>of which relates to Thames River</i>	621	(311)	310

#### 4. Thames River AUM and fund flows

	AUM 1 January 2011 £m	Jan - Mar Inflows £m	Jan - Mar Outflows £m	Jan – Mar Market movement £m	AUM 31 March 2011 £m
Institutional Funds	291	-	-	(3)	288
Investment Trusts	872	-	(25)	49	896
Open Ended Funds (UK Onshore)*	1,159	61	(44)	(10)	1,166
Open Ended Funds (Offshore)	2,927	370	(268)	(18)	3,011
<b>Total Open Ended Funds</b>	<b>4,086</b>	<b>431</b>	<b>(312)</b>	<b>(28)</b>	<b>4,177</b>
<b>Total</b>	<b>5,249</b>	<b>431</b>	<b>(337)</b>	<b>18</b>	<b>5,361</b>

\* AUM at 31 March 2011 includes £200m of cross-held insurance assets (1 January 2011: £216m).