

6 January 2011
Regulatory News Service
F&C Asset Management PLC

Posting of notice of General Meeting and unanimous Board recommendation to vote AGAINST all proposed Resolutions

- F&C (the "Company") is today posting a circular convening a General Meeting on 3 February 2011 at the request of Sherborne
- Sherborne has proposed the removal of the Chairman, Nick MacAndrew and Brian Larcombe from the Board of F&C and the appointment of Edward Bramson, Ian Brindle and Derham O'Neill as Directors (Sherborne has also indicated that it will subsequently seek the appointment of Edward Bramson as Chairman of F&C)
- The Board of F&C believes the Company's strategy is working; Sherborne has not articulated any alternative strategy or business plan for F&C; and Sherborne's actions are damaging and destabilising to the business
- The Board of F&C strongly believes that Sherborne's Resolutions are not in the interests of Shareholders as a whole and unanimously recommends that Shareholders vote AGAINST all of the Resolutions

F&C's Senior Independent Director, Keith Bedell-Pearce, said: "The Board is unanimous in its belief that Sherborne's Resolutions are not in the best interests of F&C's Shareholders as a whole. They may also have a materially negative impact on F&C's relations with other key stakeholders including staff, clients, investment consultants, financial advisers, fund rating agencies and other distribution partners. The Resolutions come at a time when stability has finally been achieved after a prolonged period of damaging ownership uncertainty and when the Board is united around a clear turnaround strategy, which is working.

The independent members of the Board have full confidence in Nick MacAndrew as Chairman and Brian Larcombe as a Director and also believe that F&C's current strategy is the right one for the Company and will create value for all of F&C's Shareholders.

The Board strongly recommends that Shareholders vote AGAINST all of the proposed Resolutions."

Nick MacAndrew, Chairman of F&C, said: "Sherborne has requisitioned this General Meeting without putting forward an alternative strategy and at a time when stability has finally been achieved. Sherborne's actions have risked creating renewed uncertainty over the business. Our strategy is working, the results are coming through and this unwelcome and opportunistic move by Sherborne is damaging to the business and is not in the best interests of our Shareholders"

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Posting of notice of General Meeting and unanimous Board recommendation to vote AGAINST all proposed Resolutions

F&C Asset Management plc (“F&C” or “the Company”) announces that it will today post a circular containing a notice to Shareholders (the “Circular”) convening a general meeting, to be held at 11am on Thursday, 3 February 2011 at the offices of JP Morgan Cazenove at 20 Moorgate, London EC2R 6DA (the “General Meeting”).

This General Meeting has been convened at the request of Sherborne Investors GP, LLC (“Sherborne”), which currently holds 90,324,437 F&C Shares, representing approximately 17 per cent. of F&C’s issued ordinary share capital, to vote upon a number of Resolutions Sherborne has proposed (the “Resolutions”).

The Resolutions call for the removal of the Chairman, Nick MacAndrew and Brian Larcombe from the Board of F&C and the appointment of Edward Bramson, Ian Brindle and Derham O’Neill as Directors. Sherborne has also indicated that it will subsequently seek the appointment of Edward Bramson as Chairman of F&C.

The Board of F&C unanimously believes that Sherborne’s Resolutions are not in the interests of Shareholders as a whole and strongly recommends that Shareholders vote AGAINST all of the Resolutions for the reasons set out below.

F&C’s Board has full confidence in both Nick MacAndrew and Brian Larcombe as Directors. Nick MacAndrew has been Chairman of F&C for less than two years, during which time the Company has made excellent progress in executing its turnaround strategy, which is unanimously supported by the Board.

F&C’s strategy is working

After a prolonged period of damaging ownership uncertainty, in the summer of 2009 F&C was finally in a position to build momentum and to concentrate on its turnaround strategy, to focus on higher margin products and to reduce reliance on investment mandates for insurance-based assets. This strategy is working and the results are coming through:

- investment performance has been transformed over the last three years, with over 70 per cent. of assets under management currently performing above their benchmark (based on a three year track record);
- consultant buy ratings have dramatically improved since independence from Friends Provident;
- after four years of net outflows, net inflows (ex insurance) were reported in the first nine months of 2010;
- F&C REIT, acquired in 2008, continues to perform excellently;
- Thames River Capital was acquired in September 2010 with the overwhelming support of Shareholders and good progress has been made towards integrating Thames River Capital into the Group;

- good progress has been made in diversifying revenues with non-insurance clients now generating approximately 70 per cent. of revenues on a run rate basis; and
- management's plans to create a lower and more flexible cost base are well advanced, further details of which will be announced later this month.

Sherborne has not articulated an alternative strategy for F&C

Sherborne has not articulated any alternative strategy or business plan for F&C despite numerous requests to do so from the Company. Moreover, Sherborne's nominees lack relevant experience as directors of FSA regulated asset management businesses.

Sherborne's actions are damaging and destabilising to the business

F&C's Board sought to engage with Sherborne throughout to understand its objectives and to point out the destabilising effects of its actions. Having experienced the negative consequences of corporate uncertainty in the past (following Friends Provident's announcement that its stake in F&C was non-core through to the demerger of its shares in the Company in June 2009), F&C, on behalf of all its stakeholders, remains very keen to avoid any such future uncertainty.

As an asset manager, F&C is a people business and the vast majority of key F&C staff Shareholders have expressed their support for the Board, the management team and the Company's current strategy by indicating their intention to vote against the Resolutions.

Recommendation

F&C's Board strongly recommends that Shareholders vote AGAINST all of the Resolutions.

Copies of the Circular and the form of proxy for use in connection with the General Meeting will be available later today on F&C's website at:

<http://www.fcamlc.com/>

For any questions, a Shareholder helpline is available on:

+44 (0) 845 600 6166

To be valid, shareholder proxy forms must be received by F&C's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible but in any event not later than 11am on 1 February 2011. Completion and return of the proxy form will not prevent Shareholders from attending and voting at the General Meeting should they so wish.

- ENDS -

Letter from the Chairman of F&C included in the Circular

F&C ASSET MANAGEMENT PLC

(Incorporated and registered in Scotland with registered no. SC073508)

Directors

Nicholas MacAndrew *(Chairman)*
Keith Bedell-Pearce, CBE *(Non-Executive; Senior Independent Director)*
Alain Grisay *(Chief Executive)*
David Logan *(Chief Financial Officer)*
Brian Larcombe *(Independent Non-Executive Director)*
Jeff Medlock *(Non-Executive Director)*
Kieran Poynter *(Independent Non-Executive Director)*
Gerhard Roggemann *(Independent Non-Executive Director)*

Registered Office

80 George Street
Edinburgh
EH2 3BU

6 January 2011

Dear Shareholder,

On 16 December 2010, your Board announced it had received a notice from a nominee on behalf of funds managed by Sherborne Investors GP, LLC ("**Sherborne**") requisitioning a General Meeting to consider resolutions for:

- the removal from office as a Director of myself, Chairman of the Board, and Brian Larcombe, Chairman of the Remuneration Committee; and
- the appointment as a Director of Edward Bramson (who proposes to become Chairman), Ian Brindle and Derham O'Neill.

You will find on page 10 of this document a notice of a General Meeting to be held at 11 a.m. on Thursday, 3 February 2011 at the offices of JP Morgan Cazenove, 20 Moorgate, London EC2R 6DA which sets out the Resolutions to be considered at the General Meeting.

Your Board unanimously recommends Shareholders to vote AGAINST all the Resolutions as it does not believe the Resolutions are in the best interests of the Company and Shareholders as a whole.

At the latest practicable date prior to the publication of this Circular, Sherborne owned 90,324,437 F&C Shares, equivalent to approximately 17 per cent. of F&C's issued ordinary share capital.

The Board has received indications that the vast majority of F&C Shares held by F&C employees, including the key executives, the key fund managers and the key client relationship managers and

support staff (amounting to approximately two per cent. of F&C's issued ordinary share capital at the latest practicable date prior to the publication of this Circular) will be voted against the Resolutions.

Discussions with Sherborne

Sherborne first notified F&C that it had acquired a stake in the Company during August 2010. By mid-November, Sherborne's interest in F&C had risen to approximately 17 per cent. (through a combination of directly held F&C Shares and contracts for difference) and it was at that point that Mr. Bramson, on behalf of Sherborne, proposed that he should be appointed to the Board and become Chairman and that Mr. Brindle should also be appointed to the Board.

The Board considered this proposal and concluded that it was not in the best interests of the Company or the Shareholders as a whole and therefore unanimously decided to reject it. This was communicated to Sherborne at the beginning of December, expressing the Board's concerns about the failure of Sherborne to provide a clearly articulated alternative strategy which would deliver greater value to the Shareholders than our existing strategy. We also noted our concern that neither Mr. Bramson nor Mr. Brindle has ever been a director of an FSA regulated and listed financial services company.

Sherborne then wrote to F&C on 8 December 2010 stating that they planned to submit a requisition for a general meeting of the Shareholders at which they would seek Brian Larcombe's and my removal from the Board and the appointment of three Sherborne nominees, including Mr. Bramson, to the Board. As part of our response on the following day, we stated that, should Sherborne requisition a general meeting it could potentially have severe and irreversible effects contrary to the best interests of the Company.

Sherborne submitted a requisition for a general meeting to F&C on 16 December 2010 and converted contracts for difference in respect of approximately 7 per cent. of F&C's issued share capital into F&C Shares on 17 December 2010. For complex technical reasons, of which Sherborne was aware, this action had adverse consequences for investment management agreements between F&C and a valued Portuguese client, for whom we manage £15.6 billion of assets.¹ In particular, this action resulted in a reduction (from 42 months to 12 months) of the period by reference to which compensation payable to F&C would be calculated were these agreements to be terminated (other than for cause). As at the latest practicable date prior to the publication of this Circular, none of the relevant agreements have been terminated and no notice terminating such agreements has been received by the Company.

Your Board has throughout sought to engage with Sherborne and encouraged them to explain their strategy for the Company and justify their proposed nominees. It has never been the Board's wish to have the discussions elevated to the public arena with the consequent potentially destabilising effects on the Company. Sherborne's representatives have told the Board that they have no specific

¹ As at 30 September 2010.

issues with the Group's strategy and that they have no alternative strategy to offer, but they are confident that, when they become familiar with the Group's affairs, they will be able to identify actions which would improve the Group's performance and share price.

Why you should vote against the Resolutions

The Board believes that there are compelling reasons why Shareholders should vote against the Resolutions proposed by Sherborne.

1. F&C is successfully executing its current strategy which the Board believes will create value for all Shareholders

F&C continues to make good progress in executing its stated strategy of improving investment performance, generating new business flows, diversifying into higher margin products and effective cost management. F&C has been pursuing this strategy and has made particular progress during 2010 to accelerate its delivery.

Diversifying revenues

F&C has been actively pursuing its strategy to diversify its revenues into higher margin products, given the publicly disclosed potential expiry, in or around 2014, of the Company's exclusive rights to manage several large insurance contracts:

- the Thames River Capital and F&C REIT acquisitions are key steps in accelerating the implementation of this strategy; and
- F&C has successfully increased the proportion of its revenues generated from non-insurance clients to approximately 70 per cent. on a run rate basis. New investment mandates already won but not yet funded will further increase the non-insurance proportion.

All of F&C REIT's funds are performing above their benchmarks on a three year basis. F&C REIT has attracted significant net inflows since its formation and has won several industry awards.

In June 2010, more than 90 per cent. of Shareholders who voted did so in favour of the Company's acquisition of Thames River Capital. The Board believes that the acquisition was attractively priced and the contingent nature of much of the consideration, which will only be paid if the value created by the transaction for the Shareholders is significant, ensures a strong alignment of interest between Shareholders and Thames River Capital staff. The associated EBITDA targets are such that, if the maximum amount becomes payable under both the contingent consideration and the management incentive plan awards, the implied EBITDA multiple for F&C's acquisition of Thames River Capital would be only 3.5x.² If those targets were to be met in full, underlying earnings per F&C Share would be increased by at

² Based on assumption of £25 million of EBITDA in 2014.

least 3.2p in 2014, based on the current issued capital of F&C plus the additional F&C Shares issued under the incentive arrangements.

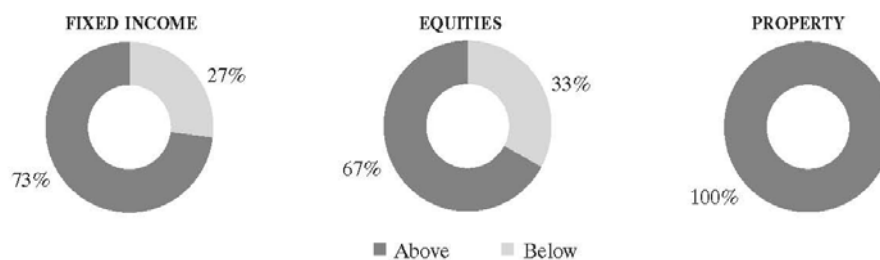
The Thames River Capital acquisition was completed on 1 September 2010. F&C is now able to leverage an increased range of products and clients, the benefits of which should be seen in 2011 and beyond.

Improving investment performance

F&C has significantly improved its investment performance over the last three years:

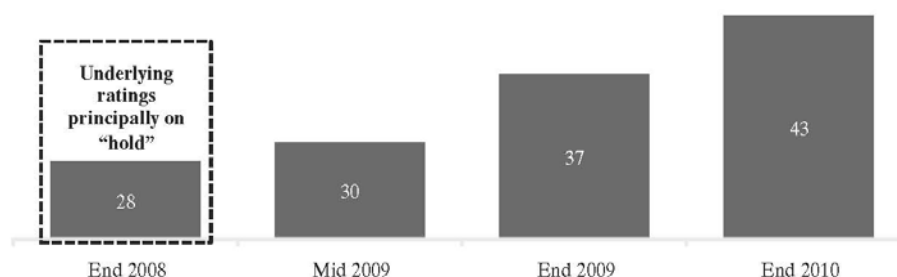
- currently over 70 per cent. of assets under management are performing above their benchmarks (based on a three year track record); and
- this improvement in performance and stability has led to a very substantial improvement in F&C's ratings with consultants (43 buy ratings by year end 2010 versus 30 in June 2009, immediately prior to the demerger from Friends Provident).

FIG. 1: 3 YEAR ASSET-WEIGHED PERFORMANCE VERSUS BENCHMARKS



As at 30 September 2010.

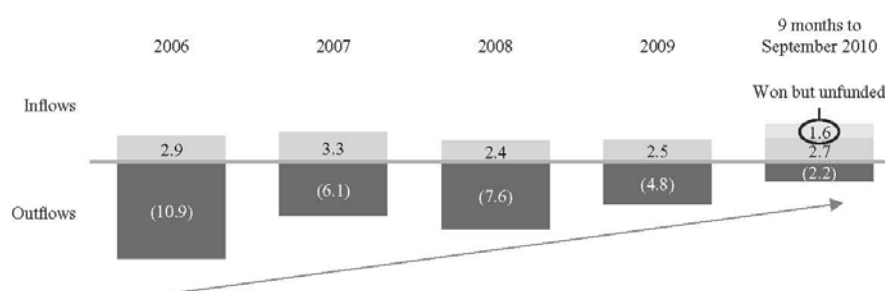
FIG. 2: INSTITUTIONAL INVESTMENT CONSULTANT BUY RATINGS



Generating new business flows

F&C has also made significant progress in winning new client mandates and registered positive net inflows (ex insurance) in the first nine months of 2010, after having experienced net outflows in each calendar year from 2006.

FIG. 3: INSTITUTIONAL INFLOWS AND OUTFLOWS (£bn)



Effective cost management with a further announcement to come later in January

F&C has successfully reduced core operating expenses such that they were approximately £25 million lower in 2009 than in 2007. The Board, however, recognises that in pursuing its strategy of revenue diversification, it is also necessary to deliver further operational efficiencies.

Accordingly, in September 2010 F&C announced plans to reorganise its operating platform to provide greater cost efficiency and flexibility. The Company intends both to reduce its costs and to match them more closely to its revenues. As previously indicated, F&C will articulate these plans to the market later this month. The Board intends to set a cost saving target and implementation timeframe, subject to consultation with employee representatives.

The Board is confident that the Company is improving its operational infrastructure and cost efficiency as quickly as possible, whilst avoiding undue risk to client service, investment performance and compliance and reporting procedures.

Balance sheet strengthening

Consistent with F&C's stated strategy of strengthening its balance sheet ahead of the 2016 refinancing deadline, the Company took the decision to use free cashflow potentially available for dividend payments to pay down the Company's debt and has a strategy in place to achieve a zero net debt position by 2014.

Enhanced management expertise

F&C's management team has been strengthened. Charlie Porter and Jeremy Charles (from Thames River Capital) have joined F&C's Executive Committee. Charlie Porter has responsibility for driving F&C's retail and wholesale fund business and Jeremy Charles is leading the operational improvement programme.

2. Sherborne has not articulated an alternative strategy for F&C

Sherborne has not put forward any alternative strategy for the Company, nor has it given any indication of what it intends to do with the Company. Given that Sherborne has no

stated plans for the Company, it is unreasonable to ask Shareholders to support changes to the Board.

3. Corporate uncertainty has a destabilising effect on fund management companies

F&C has experience of the damage caused by corporate uncertainty and, on behalf of all F&C's stakeholders, would like to avoid this. In particular, it has been seen to have a destabilising impact on staff, clients, investment consultants, financial advisers, fund rating agencies and other distribution partners.

The vast majority of key F&C employee Shareholders have expressed their support for the Board, the management team and the Company's current strategy by indicating their intention to vote against the Resolutions.

Corporate uncertainty impacts F&C's relationships with investment consultants, who can materially affect the Company's new business flows. For example, during the 18 month offer period ending in June 2009, which arose as a result of uncertainty as to Friends Provident's shareholding in the Company, F&C's management estimates that approximately £2 billion of new institutional assets were forfeited as a result of investment consultants' reluctance to recommend F&C products during this time of instability. The Board believes both existing and potential new clients are keen to see stability of ownership, management and strategy.

4. Sherborne's proposed Directors lack relevant fund management experience

F&C is one of the UK's leading fund managers, with over £100 billion of assets under management. F&C is a complex organisation which is highly dependent on its staff, including its fund managers, client relationships and distribution partners. Not only do Sherborne's proposed Directors lack any experience within FSA regulated fund management businesses, it is the Board's belief that their Resolutions will have a significant destabilising effect on the Company's staff, clients and distribution partners at least for the period during which their nominees develop an understanding of the business and proposals, if any, for changes in direction.

There are also two corporate governance principles to consider. First, one of the key principles of the UK Corporate Governance Code is that the board should include a balance of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking. Secondly, if the Resolutions proposed by Sherborne are passed, and the Board subsequently agrees to accede to Mr. Bramson's request that he be appointed Chairman of the Company, the Company will breach the specific principle of the UK Corporate Governance Code of not having a chairman who is independent on appointment.

Conclusion

I have been Chairman of F&C for less than two years. My principal objective has been to do what is in the best interests of the Shareholders. I am passionate about ensuring that the current strategy, which has the strong support of the whole Board, is implemented and executed such that it creates

significant value for all Shareholders. I am supported and assisted by what I regard as a very able Board, including Brian Larcombe.

Recommendation

Your Board unanimously recommends that you vote AGAINST all the Resolutions to be proposed at the General Meeting as it does not believe they are in the best interests of the Company and Shareholders as a whole. Your Directors intend to vote AGAINST the Resolutions in respect of their holdings which amount to 3,009,248 F&C Shares (0.6 per cent. of the issued ordinary shares of the Company).

Vote now

Each of the Resolutions to be considered at the General Meeting requires a simple majority of votes cast to be in favour for it to be passed. Sherborne represents approximately 17 per cent. of the F&C Shares. As a result, your vote AGAINST is vital.

Yours sincerely,

A handwritten signature in black ink that reads "Nick MacAndrew". The signature is written in a cursive style with a large initial 'N'.

Nick MacAndrew
Chairman

DEFINITIONS

The definitions set out below apply throughout this document, unless the context requires otherwise.

“Board”	the board of Directors of F&C;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear UK and Ireland Limited is the operator (as defined in those regulations);
“Directors”	the directors of F&C (each a Director);
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules, as published and amended from time to time by the Financial Services Authority;
“EBITDA”	earnings before interest, taxes, depreciation and amortisation;
“F&C” or the “Company”	F&C Asset Management plc, a company incorporated in Scotland with registered number SC073508, whose registered office is at 80 George Street, Edinburgh EH2 3BU;
“F&C REIT”	F&C REIT Asset Management LLP and its subsidiary undertakings;
“F&C Shares”	the ordinary shares of 0.1 pence each in the capital of F&C (each an F&C Share);
“Form of Proxy”	the form of proxy for use at the General Meeting;
“FSA” or “Financial Services Authority”	the Financial Services Authority of the United Kingdom;
“General Meeting”	the general meeting of the Company (including any adjournment thereof) to be held at 11 a.m. on Thursday, 3 February 2011, notice of which is set out at the end of this document;
“Group”	F&C together with its subsidiaries and subsidiary undertakings;
“Listing Rules”	the Listing Rules, as published and amended from time to time by the Financial Services Authority;
“London Stock Exchange”	the London Stock Exchange plc or its successors;
“Resolutions”	the ordinary resolutions to be considered at the General Meeting;
“Shareholders”	the holders of the F&C Shares (each a Shareholder);
“Thames River Capital”	Thames River Capital Holdings Limited, its subsidiaries and subsidiary undertakings, including Thames River Capital (UK) Limited and its interests in Thames River Capital LLP and Thames River Multi-Capital LLP; and
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland.