



AUM AND BUSINESS FLOWS UPDATE

31 January 2012

F&C Asset Management plc (“F&C” or “the Group”) is today updating the market on its Assets under Management (“AUM”) at 31 December 2011 and business flows for the fourth quarter of 2011. Except where specified otherwise this statement covers the three months to 31 December 2011.

Highlights

- **Assets under Management (“AUM”) of £100.1 billion at 31 December 2011**
- **Group net outflows in Q4 2011 were due principally to strategic partner assets, including £1.3 billion from the nationalisation of the past pension obligations of Portugal’s largest banks**
- **Positive asset performance of £2.5 billion in Q4 2011 partially offset by FX movements**
- **Net inflows into third-party institutional mandates during Q4 2011 with a further £1.2 billion pipeline of mandates awaiting funding at 31 December 2011**
- **Cost reduction programme remains on schedule**

Edward Bramson, Executive Chairman, commented:

“We have made good progress on the strategy we set out in October, showing a modest net inflow, primarily in fixed income mandates, into our third-party institutional business and having a further £1.2 billion of won but unfunded mandates in the pipeline.

While asset performance during the fourth quarter was positive, a decline in the Sterling / Euro exchange rate magnified the reduction in strategic partner assets under management. However, the yield on the strategic partner assets which were withdrawn was significantly lower than our average rate at approximately 6 basis points.

The cost reduction programme we set out in our strategic review remains on schedule. We are continuing to work on initiatives to deploy the resources this programme will release into areas of growth for F&C and to the overall improvement of shareholder value.”

Assets under Management and Business Flows

AUM 30 Sept 2011 £bn	Oct - Dec Performance £bn	Oct- Dec FX impact £bn	Oct – Dec third-party institutional net flows £bn	Oct – Dec open-ended funds net flows £bn	Oct – Dec strategic partner net flows £bn	AUM 31 Dec 2011 £bn
103.2	2.5	(1.6)	0.1	(0.2)	(3.9)	100.1

Positive asset performance in the fourth quarter was offset by a weakening of the Euro versus Sterling and net outflows, principally from strategic partners. As a result, AUM decreased by 3 per. cent from £103.2 billion at 30 September 2011 to £100.1 billion at 31 December 2011.

Our third-party institutional business, excluding the BCP Pension Scheme, had a net inflow of £0.1 billion during the fourth quarter of 2011. During the quarter £1.5 billion in new institutional mandates were funded and an additional £1.2 billion was won but unfunded as at 31 December 2011. Funded business included our largest ever third-party Liability Driven Investment mandate. Total gross new institutional business for the full year was £5.1 billion, an increase of 29 per. cent on 2010.

Group net outflows during the quarter totalled £4.0 billion, 96 per. cent of which related to strategic partner assets. These included insurance funds and a £1.3 billion institutional gross outflow from the BCP Pension Scheme as a result of a decision by the Portuguese government to nationalise the past pension obligations of the country's largest banks. The Portuguese government initiated a further withdrawal, representing £1.0 billion of assets, in January 2012. We are currently not aware of any further withdrawals forthcoming from this nationalisation policy. Insurance and strategic partner net outflows also included £1.4 billion withdrawn from a derivatives pool which was not covered under an exclusivity agreement and for which fees were earned on a transactional, rather than management fee, basis. The yield on assets withdrawn of approximately 6 bps is substantially lower than the Group's average fee margin and the resulting revenue impact of approximately £2.5 million represents less than 1 per. cent of F&C's total revenues.

In common with the rest of the industry, the environment for retail and wholesale business has remained challenging given ongoing market volatility and subdued investor sentiment. Additionally investment performance in a number of open ended fund products was weaker in the second half of 2011 compared to the first half. Open-ended funds saw outflows of £0.2 billion in the quarter, though encouragingly we continued to see net inflows into UK onshore funds, with consistent support for the Thames River multi-manager products from Independent Financial Advisers. Offshore fund outflows were predominantly from global credit products, funds of hedge funds and a shift in asset allocation at Chilean pension funds out of global convertible bonds.

Friends Life update

On 9 November 2011 Friends Life announced its intention to launch an in-house asset management subsidiary in the second half of 2012. Friends Life has since given F&C 12-months notice of its intention to withdraw £2.3 billion of assets, principally in respect of its annuities fund, in December 2012. These assets represent approximately £1.1 million of annualised revenues and the effect on current year revenues will therefore be minimal.

Preliminary annual results

The decline in AUM in the second-half of 2011 and difficult market conditions, particularly in the third quarter, will have an effect on management and performance fees versus the prior year.

The Group will report its preliminary results for the year ended 31 December 2011 on 15 March 2012.

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For further information please contact:

F&C Asset Management

Jason Hollands – Head of Corporate Affairs

+44 (0) 20 7011 4168

FTI Consulting

Bill Clegg – Managing Director

+44 (0) 20 7269 7157

Forward-looking statements

This AUM and business flows announcement 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.

Assets Under Management

The tables below disclose Assets Under Management ('AUM') at 31 December 2011 and fund flows for the 12 months to 31 December 2011.

1. Summary of AUM and fund flows

	AUM 1 January 2011 £bn	Jan - Dec Inflows* £bn	Jan - Dec Outflows* £bn	Jan - Dec Insurance net flows £bn	Jan - Dec Market movement £bn	AUM 31 December 2011 £bn
F&C Group ex. Thames River	100.5	7.2	(8.2)	(5.9)	2.1	95.7
Thames River	5.3	1.4	(1.7)	-	(0.6)	4.4
Total	105.8	8.6	(9.9)	(5.9)	1.5	100.1

* Excluding insurance flows

2. AUM by client category

In Sterling	31 December 2011 £bn	30 September 2011 £bn	31 December 2010 £bn
Insurance Funds	54.4	56.9	59.5
Institutional Funds	30.1	30.8	29.3
Sub Advisory	2.7	2.6	3.0
Investment Trusts ¹	5.6	5.4	5.9
Open Ended Funds (UK Onshore) ²	3.5	3.3	3.5
Open Ended Funds (Offshore) ³	3.8	4.2	4.6
Total Open Ended Funds	7.3	7.5	8.1
Total	100.1	103.2	105.8

In Euro	31 December 2011 €bn	30 September 2011 €bn	31 December 2010 €bn
Insurance Funds	65.1	66.1	69.4
Institutional Funds	36.1	35.7	34.2
Sub Advisory	3.2	3.0	3.5
Investment Trusts ¹	6.7	6.3	6.9
Open Ended Funds (UK Onshore) ²	4.2	3.8	4.1
Open Ended Funds (Offshore) ³	4.6	4.9	5.4
Total Open Ended Funds	8.8	8.7	9.5
Total	119.9	119.8	123.5

¹ Includes all listed closed ended companies managed by the Group

² UK domiciled OEICs and Unit Trusts

³ Includes Luxembourg SICAV funds, Dublin domiciled OEICs, open ended Cayman Islands funds and funds of alternative investment funds

3. AUM by asset class

	31 December 2011 £bn	30 September 2011 £bn	31 December 2010 £bn
In Sterling			
Fixed Interest	59.2	61.9	62.0
Equities	25.5	24.1	28.7
Property	7.9	8.5	8.2
Alternative Investments ⁴	1.7	1.9	2.4
Liquidity	5.8	6.8	4.5
Total	100.1	103.2	105.8

	31 December 2011 €bn	30 September 2011 €bn	31 December 2010 €bn
In Euro			
Fixed Interest	70.9	71.8	72.4
Equities	30.5	28.0	33.5
Property	9.5	9.9	9.6
Alternative Investments ⁴	2.0	2.2	2.8
Liquidity	7.0	7.9	5.2
Total	119.9	119.8	123.5

⁴ 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

4. Fund flows

a) Fund flows for the twelve months to 31 December 2011

Client category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(5,907)
Institutional Funds	5,073	(6,032)	(959)
Sub Advisory	275	(412)	(137)
Investment Trusts	81	(140)	(59)
Open Ended Funds (UK Onshore)	816	(589)	227
Open Ended Funds (Offshore)	2,325	(2,722)	(397)
Total Open Ended Funds	3,141	(3,311)	(170)
Total	N/A	N/A	(7,232)
<i>of which relates to Thames River</i>	1,356	(1,712)	(356)

b) Fund flows for the three months to 31 December 2011

Client category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(2,750)
Institutional Funds	1,503	(2,488)	(985)
Sub Advisory	194	(177)	17
Investment Trusts	31	(44)	(13)
Open Ended Funds (UK Onshore)	187	(137)	50
Open Ended Funds (Offshore)	209	(501)	(292)
Total Open Ended Funds	396	(638)	(242)
Total	N/A	N/A	(3,973)
<i>of which relates to Thames River</i>	228	(410)	(182)

5. Thames River AUM and fund flows

	AUM 1 January 2011 £m	Jan - Dec Inflows £m	Jan - Dec Outflows £m	Jan - Dec Market movement £m	AUM 31 December 2011 £m
Twelve months to 31 December 2011					
Institutional Funds	291	20	(101)	(44)	166
Investment Trusts	872	-	(56)	(144)	672
Open Ended Funds (UK Onshore)	1,159	252	(148)	(179)	1,084
Open Ended Funds (Offshore)	2,927	1,084	(1,407)	(180)	2,424
Total Open Ended Funds	4,086	1,336	(1,555)	(359)	3,508
Total	5,249	1,356	(1,712)	(547)	4,346

*AUM at 31 December 2011 includes £162m of cross-held insurance assets (30 September 2011: £166m)

	AUM 1 October 2011 £m	Oct – Dec Inflows £m	Oct – Dec Outflows £m	Oct – Dec Market movement £m	AUM 31 December 2011 £m
Quarter to 31 December 2011					
Institutional Funds	170	-	-	(4)	166
Investment Trusts	713	-	(31)	(10)	672
Open Ended Funds (UK Onshore)	1,057	59	(41)	9	1,084
Open Ended Funds (Offshore)	2,665	169	(338)	(72)	2,424
Total Open Ended Funds	3,722	228	(379)	(63)	3,508
Total	4,605	228	(410)	(77)	4,346