



INTERIM MANAGEMENT STATEMENT

25 October 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 and an update on its strategic review. Except where specified otherwise this statement covers the three months to 30 September 2011.

Highlights

- **Assets under Management ("AUM") of £103.2 billion at 30 September 2011**
- **Positive investment performance in Q3 offset by movements in FX and net flows**
- **£12 million cost reduction target announced January 2011 increased to £33.2 million (4.7p per share) as a result of incremental actions announced today**
- **Institutional strategy to focus on scalable "core" capabilities with high incremental operating margins and low revenue volatility**
- **Strategic review of Retail / Wholesale (including Thames River), Investment Trusts and F&C REIT to be announced in H1 2012**
- **Board to be strengthened with the appointments of experienced asset management industry executives, Keith Jones and Keith Percy, as Independent Non-Executive Directors**

Edward Bramson, Executive Chairman, commented:

"The third-quarter was a difficult one for the fund management industry given the sharp sell-off in risk assets. However, F&C's AUM strongly benefitted from the bias in our business mix towards less volatile asset classes, a characteristic we see as a core strength of the Group.

The strategy announced today provides a stable financial footing for consistent investment in the Group's strategic priorities and is consistent with our objective to deliver attractive long-term returns to shareholders with lower than average volatility.

The focus of today's announcement is our strategy to build on the high quality and competitive strengths of our Institutional business. We also provide an initial assessment of strategic priorities for our Investment Trust and Retail/Wholesale activities. A comprehensive review of these business areas will be presented to shareholders in the first half of 2012."

The Group will host a presentation for analysts and investors at 09:30 today at the offices of FTI Consulting, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB. The presentation will also be available to view via a live webcast at www.fcamlc.com, a recording of which will be posted on the site later today.

Assets under Management and Business Flows

The Group's AUM proved resilient against a difficult market backdrop, decreasing from £108.0 billion at 30 June 2011 to £103.2 billion at 30 September 2011.

AUM 30 June 2011	Jul - Sept Performance	Jul – Sept FX impact	Jul – Sept third-party net flows	Jul – Sept strategic partner net flows	AUM 30 Sept 2011
£bn	£bn	£bn	£bn	£bn	£bn
108.0	0.2	(2.7)	(0.9)	(1.4)	103.2

During the third-quarter markets continued to be overshadowed by the Eurozone debt crisis and fears over the fragility of the banking system. Investor concerns were further compounded by weak growth across the major developed economies.

These bearish macroeconomic headwinds have been reflected in extreme volatility in risk assets and one of the worst quarters for equity markets seen for a decade. In the three-months to 30 September the FTSE 100 Index posted a decline of 12.9 per cent. on a total return basis.

Volatile markets create a challenging environment for active asset managers, as relative performance against indices can move significantly over short time periods. While we endeavour to manage portfolios against longer term objectives, our performance, and in some cases performance-fee arrangements, may be measured over shorter discrete periods.

During the quarter we saw net outflows, excluding insurance assets, of £0.9 billion but remain in net positive inflows, ex insurance, year-to-date.

Institutional net outflows of £0.3 billion were largely due to reduced inflows of £0.6 billion (Q2 2011: £1.9 billion); while outflows of £0.9 billion were lower than the three previous quarters. The pipeline of won but unfunded institutional mandates is currently £0.9 billion.

In our open-ended funds business, we saw a net outflow of £559 million during the quarter but net flows year-to-date remain positive with £2.7 billion of gross new business generated since the start of the year. Outflows during the quarter were predominantly in offshore funds held by discretionary clients. These included a £246 million outflow from global convertibles as a result of asset allocation decisions by pension scheme clients and a £125 million outflow from a single client allocating out of global government bonds. Encouragingly, our UK Retail business continued to see net inflows where we have focused on multi-manager products in the IFA market. Gross sales of onshore funds of £212 million were stable on the previous quarter (Q2 2011: £224 million).

Board Developments

On 6 October the Board announced that Alain Grisay would step down from the Board and as Group Chief Executive Officer at the Annual General Meeting in May 2012 and that Edward Bramson had been appointed Executive Chairman for an interim period with immediate effect. The Board confirms that it is its intention that Executive and Non-Executive roles will be divided again as soon as practicable. Mr. Bramson has elected not to receive any additional compensation for his Executive responsibilities.

As part of the process of further strengthening the Board the Group is pleased to announce that, subject to regulatory approval, Keith Jones and Keith Percy have agreed to join the Board as Independent Non-Executive Directors.

Mr. Jones is a former Chief Executive Officer of Morley Fund Management and former CEO of NPI Investments and a past Chairman of the Investment Committee of the Association of British Insurers. He

currently holds non-executive positions at Just Retirement Holdings Ltd, Espirito Santo Investment Bank and Aon Hewitt, and advisory positions at Lloyds Bank and Permira LLP.

Mr. Percy was most recently Executive Chairman and Chief Executive Officer of Société Générale Asset Management UK and was previously Chief Executive of Morgan Grenfell Asset Management.

All Board committees are fully compliant with the UK Corporate Governance Code and the Board is comprised of a clear majority of Independent Non-Executive Directors.

Strategic Review

As announced on 9 March 2011 the Board has been conducting a review of the Group's strategy. Today the Group will report on the first phase of this work with a presentation to analysts and investors at 09:30am. A webcast of the presentation will be available at www.fcamlc.com.

In setting the revised strategy, the Board has agreed three key objectives:

- Generate above-average shareholder returns with below average volatility
- Achieve competitive scale in areas of strategic focus
- Create a stable environment for long-term growth

The initial phase of the strategic review seeks to resolve perceived corporate issues and addresses the growth strategy for the Institutional business (Third-Party clients and Strategic Partners), which represents approximately 80 per cent. of the Group's AUM.

Today's strategy presentation sets out to:

- Clarify the financial impact of the Strategic Partner relationships;
- Lay out steps taken to improve profitability in order to provide resources for consistent investment in long-term growth; and
- Address marketing issues which have impeded revenue growth.

Corporate and Institutional expense reduction programme

The Board has revised its expense reduction target to £33.2 million (4.7 pence per share) by 2013 from the £12 million (1.7 pence per share) of savings announced in January 2011. The incremental actions announced today will substantially be implemented by the end of 2011 and accordingly the Board anticipates that a significant portion of the savings will be recognised in the Group's 2012 financial results. The one-off cash cost of achieving these £33.2 million in ongoing savings is expected to be £14.6 million, of which approximately £10.7 million relates to redundancy payments, with a further £1.9 million of non-cash charges.

The incremental savings announced today of £21.2 million are comprised of £16.7 million in staff reductions and the balance of £4.5 million in various non-staff reductions. Staff reductions affect primarily back office and corporate staff functions, with limited impact on investment teams and client facing personnel. No reductions are being implemented in the Group's compliance or risk functions.

In addition to generating incremental underlying earnings per share, the expense reduction programme will; provide resources for consistent investment in long-term growth strategies; will result in a significantly enhanced level of dividend cover; and provide the Group with the ability to accelerate retirement of its long-term debt.

Institutional growth strategy

F&C's Institutional business, which primarily includes defined benefit pension and insurance assets, accounts for approximately 80 per cent. of the Group's AUM. The review identifies the key strategic goal for the Institutional business as having competitive scale in any area that is part of its strategic focus.

The Institutional strategy intends to build on F&C's strengths in "core" product areas. These products share the characteristics of being strongly aligned with current client needs, having a good investment performance track record for at least three years, and being in areas in which F&C has significant existing scale.

Additionally, the strategy focuses on products with an attractive financial model based on being highly scalable, having a low variable cost for each additional unit of AUM and with relatively low revenue volatility.

The "core" products which F&C will focus on leverage the increasing convergence of the needs of insurance companies seeking to address solvency issues and those of defined benefit pension schemes which are seeking to immunise their liabilities. Increasingly, both of these large client groups are utilising similar Asset Liability Management and Liability Driven Investment strategies and increasing the proportion of fixed income investments in their core asset portfolios. F&C believes it is one of the leading participants in these asset classes and its investment performance track record in these asset classes is also strong, with 78 per cent. of fixed income AUM above benchmark over a three-year period (as at 30 June 2011).

As a key component of F&C's Institutional strategy, investments will be made in the Group's institutional sales and marketing capabilities for both its insurance and defined benefit pension scheme clients. The Group also intends to implement improved processes to link employee compensation to the achievement of both individual goals and corporate strategic objectives.

Strategic Review: Second Phase

The second phase of the review will focus on growth strategies for our investment trust, retail / wholesale businesses (including Thames River) and F&C REIT. In addition the review is expected to address opportunities in the defined contributions pensions market and the geographic expansion of F&C's distribution.

The Board anticipates that all of these areas will be important contributors to the overall growth of the Group. The objectives and strategies for these areas are likely to differ from those of the Institutional business given the different dynamics of each market segment.

The Board anticipates reporting on the second phase of the strategy review in H1 2012.

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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.

Assets Under Management

The tables below disclose Assets Under Management ('AUM') at 30 September 2011 and fund flows for the nine months to 30 September 2011.

1. Summary of AUM and fund flows

	AUM 1 January 2011 £bn	Jan – Sept Inflows* £bn	Jan – Sept Outflows* £bn	Jan – Sept Insurance net flows £bn	Jan – Sept Market movement £bn	AUM 30 Sept 2011 £bn
F&C Group ex. Thames River	100.5	5.3	(5.2)	(3.2)	1.2	98.6
Thames River	5.3	1.1	(1.3)	-	(0.5)	4.6
Total	105.8	6.4	(6.5)	(3.2)	0.7	103.2

* Excluding insurance flows

2. AUM by client category

	30 September 2011 £bn	30 June 2011 £bn	31 December 2010 £bn
In Sterling			
Insurance Funds	56.9	59.3	59.5
Institutional Funds	30.8	30.6	29.3
Sub Advisory	2.6	3.0	3.0
Investment Trusts ¹	5.4	6.1	5.9
Open Ended Funds (UK Onshore) ²	3.3	3.8	3.5
Open Ended Funds (Offshore) ³	4.2	5.2	4.6
Total Open Ended Funds	7.5	9.0	8.1
Total	103.2	108.0	105.8

	30 September 2011 €bn	30 June 2011 €bn	31 December 2010 €bn
In Euro			
Insurance Funds	66.1	65.7	69.4
Institutional Funds	35.7	33.9	34.2
Sub Advisory	3.0	3.4	3.5
Investment Trusts ¹	6.3	6.7	6.9
Open Ended Funds (UK Onshore) ²	3.8	4.2	4.1
Open Ended Funds (Offshore) ³	4.9	5.7	5.4
Total Open Ended Funds	8.7	9.9	9.5
Total	119.8	119.6	123.5

¹ Includes all listed closed ended companies managed by the Group

² UK domiciled OEICs and Unit Trusts

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

3. AUM by asset class

	30 September 2011	30 June 2011	31 December 2010
In Sterling	£bn	£bn	£bn
Fixed Interest	61.9	61.0	62.0
Equities	24.1	29.5	28.7
Property	8.5	8.4	8.2
Alternative Investments ⁴	1.9	2.3	2.4
Liquidity	6.8	6.8	4.5
Total	103.2	108.0	105.8

	30 September 2011	30 June 2011	31 December 2010
In Euro	€bn	€bn	€bn
Fixed Interest	71.8	67.6	72.4
Equities	28.0	32.7	33.5
Property	9.9	9.3	9.6
Alternative Investments ⁴	2.2	2.5	2.8
Liquidity	7.9	7.5	5.2
Total	119.8	119.6	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 nine months to 30 September 2011

Client category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(3,157)
Institutional Funds	3,570	(3,544)	26
Sub Advisory	81	(235)	(154)
Investment Trusts	50	(96)	(46)
Open Ended Funds (UK Onshore)	629	(452)	177
Open Ended Funds (Offshore)	2,116	(2,221)	(105)
Total Open Ended Funds	2,745	(2,673)	72
Total	N/A	N/A	(3,259)
<i>of which relates to Thames River</i>	1,128	(1,302)	(174)

b) Fund flows for the quarter to 30 September 2011

Client category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(1,424)
Institutional Funds	600	(937)	(337)
Sub Advisory	28	(62)	(34)
Investment Trusts	49	(20)	29
Open Ended Funds (UK Onshore)	212	(146)	66
Open Ended Funds (Offshore)	337	(962)	(625)
Total Open Ended Funds	549	(1,108)	(559)
Total	N/A	N/A	(2,325)
<i>of which relates to Thames River</i>	336	(707)	(371)

5. Thames River AUM and fund flows

	AUM 1 January 2011 £m	Jan – Sept Inflows £m	Jan – Sept Outflows £m	Jan – Sept Market movement £m	AUM 30 Sept 2011 £m
Nine months to 30 September 2011					
Institutional Funds	291	20	(101)	(40)	170
Investment Trusts	872	-	(25)	(134)	713
Open Ended Funds (UK Onshore)	1,159	193	(107)	(188)	1,057
Open Ended Funds (Offshore)	2,927	915	(1,069)	(108)	2,665
Total Open Ended Funds	4,086	1,108	(1,176)	(296)	3,722
Total	5,249	1,128	(1,302)	(470)	4,605

*AUM at 30 September 2011 includes £166m of cross-held insurance assets (30 June 2011: £192m)

	AUM 1 July 2011 £m	Jul – Sept Inflows £m	Jul – Sept Outflows £m	Jul – Sept Market £m	AUM 30 Sept £m
Quarter to 30 September 2011					
Institutional Funds	276	20	(101)	(25)	170
Investment Trusts	923	-	-	(210)	713
Open Ended Funds (UK Onshore)	1,203	57	(33)	(170)	1,057
Open Ended Funds (Offshore)	3,035	259	(573)	(56)	2,665
Total Open Ended Funds	4,238	316	(606)	(226)	3,722
Total	5,437	336	(707)	(461)	4,605