



# F&C Asset Management plc

## Interim management statement

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**29 October 2010**

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. Except where it is stated otherwise, the comments in this statement cover the three months to 30 September 2010 (“the quarter”).

### Highlights

- **AUM increased by £12.9 billion to £108.2 billion (30 June 2010: £95.3 billion)**
- **£4.2 billion of AUM added in September through the acquisition of Thames River Capital**
- **Net new business inflows (excluding acquired assets) of £0.6 billion**
- **Pipeline of new business awaiting funding of £1.6 billion at 30 September 2010**

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

*“The Group’s assets under management benefited from a combination of positive market and currency movements, net inflows and the acquisition of Thames River during the third quarter. The completion of the Thames River acquisition adds new investment capabilities and enhanced distribution in our retail / wholesale business. This is a key component of our strategy of growing new revenues which also provides a catalyst for the Group to develop a more flexible cost base because of the additional scale it brings to our mutual funds business.”*

### Assets Under Management

The Group’s assets under management (AUM) increased 13.5 per cent to £108.2 billion over the quarter reflecting a combination of positive market and currency impacts, £0.6 billion of net new business and the acquisition of Thames River Capital on 1 September. The completion of the Thames River transaction increased AUM by £4.2 billion.

Given the Group’s significant exposure to European clients, the strengthening of the Euro versus Sterling during the quarter increased AUM by approximately £3.3 billion. Positive market movements in both equities and fixed income increased assets by circa £4.8 billion of which £0.7 billion related to uncrystallised gains on derivative positions for institutional clients.

### Business Flows

The Group benefited from net inflows of £598 million across the business during the Quarter which included a net inflow of £124 million from Thames River following its acquisition in September. The Group had gross inflows £1.2 billion into institutional mandates and sales of £371 million into open-ended funds (excluding sub advisory). Insurance net flows were also positive by £146 million.

Institutional mandates were awarded across a number of product areas including Emerging Market Debt, Liability Driven Investments (LDI), Fixed Income, Equity-Linked Bond funds and Thames River's Fund of Alternative Investment Funds. The average fee rate on institutional inflows, which included the funding of a £600 million LDI mandate at the lower end of our fee spectrum, was 27 per cent higher than the average fee rates on outflows.

In the retail and wholesale channels sales of existing F&C products were spread across a number of funds including Global Convertibles, the Lifestyle funds and a new UK Property Fund. Key Thames River products which contributed to Group retail and wholesale sales in September included Global Bonds, Global Credit and retail Multi-Manager. The Group saw redemptions during the quarter in Germany in its Stiftungsfonds product, a conservative fund targeting a yield of 1 per cent over 12-months Euribor, as investors switched into higher yielding investments.

A £141 million outflow in investment trusts principally represented the previously disclosed loss of the Pacific Assets Trust mandate. As previously announced, the Board of the F&C Commercial Property Trust withdrew the termination notice that it had served on the Group earlier this year and has agreed new management terms.

In addition to the institutional mandate wins which were funded during the quarter, the Group has a further pipeline of £1.6 billion in new awarded but unfunded business across a broad range of products as at 30 September 2010. The pipeline is reduced from the £1.9 billion disclosed at 30 June 2010 reflecting the funding of the LDI mandate referred to above.

While Thames River's business flows are only consolidated into the Group's flow figures for one month, across the quarter Thames River traded well with gross sales of £522 million and a net inflow of £211 million. Thames River gross sales in the first nine months of 2010, excluding Nevsky products, were £1.3 billion with a net inflow of £458 million over this period.

## **Outlook**

While we are making good progress in our institutional business on the back of competitive three-year track records, product innovation and strong consultant relationships, institutional asset flows remain lumpy from quarter to quarter. After a strong third quarter we currently anticipate weaker headline institutional asset flows in the fourth quarter.

In-line with our strategy, we continue to target new business in specialist and higher margin products. We expect institutional redemptions to slow further in 2011, following the trend in 2010. Our target is to generate annualised gross institutional inflows in excess of £6 billion by the end of 2013 underpinned by the goal of continuing to deliver three-year investment performance where at least 70% of AUM is ahead of agreed benchmarks.

With the acquisition of Thames River now complete and the distribution teams fully integrated, the Group has enhanced its position in the retail and wholesale segments. Through its enlarged retail multi-manager presence we believe the Group is well positioned to benefit from anticipated developments in the UK distribution landscape ahead of the implementation of the Retail Distribution Review. Our target, assuming there is no major deterioration in markets, is to generate £2 billion of gross sales in the retail and wholesale distribution channel between now and the end of 2011 with further increases thereafter and with the goal of having 75% of our mutual funds delivering above median performance over three-years by end of 2013. A stronger presence in retail / wholesale will complement the progress being made in the Group's institutional business and is expected to significantly improve the Group's average fee margins over the next three years.

We remain confident that the acquisition of Thames River will deliver significant benefits for shareholders and expect it to be enhancing to underlying earnings in the first full financial year post completion.

A strategic priority for the Group, made possible by the additional scale in mutual funds that the acquisition has brought the Group, is to enhance the flexibility of its cost base. As previously announced, Jeremy Charles, Chief Operating Officer of Thames River, has been appointed to lead this project. We will provide an update on the progress of this initiative in three months' time when we report year end AUM and Q4 2010 fund flows at the end of January 2011.

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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 statement should be considered as a profit forecast.

## Assets Under Management – by client category

<b>In Sterling</b>	<b>30 September 2010 £bn</b>	<b>30 June 2010 £bn</b>
Insurance Funds	61.0	56.2
Institutional Funds	30.4	27.1
Sub Advisory	3.2	3.2
Investment Trusts <sup>1</sup>	5.7	4.8
Open Ended Funds (UK Onshore) <sup>2</sup>	3.4	2.6
Open Ended Funds (Offshore) <sup>3</sup>	4.5	1.4
<b>Total</b>	<b>108.2</b>	<b>95.3</b>

<b>In Euros</b>	<b>30 September 2010 €bn</b>	<b>30 June 2010 €bn</b>
Insurance Funds	70.4	68.7
Institutional Funds	35.1	33.1
Sub Advisory	3.7	3.9
Investment Trusts <sup>1</sup>	6.5	5.9
Open Ended Funds (UK Onshore) <sup>2</sup>	4.0	3.1
Open Ended Funds (Offshore) <sup>3</sup>	5.1	1.7
<b>Total</b>	<b>124.8</b>	<b>116.4</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

## Assets Under Management – by asset class

<b>In Sterling</b>	<b>30 September 2010</b>	<b>30 June 2010 (as restated)</b>
	<b>£bn</b>	<b>£bn</b>
Fixed Interest	64.4	57.8
Equities	26.6	23.4
Property	8.1	7.9
Alternative Investments <sup>4</sup>	2.6	1.5
Liquidity	6.5	4.7
<b>Total</b>	<b>108.2</b>	<b>95.3</b>

<b>In Euros</b>	<b>30 September 2010</b>	<b>30 June 2010 (as restated)</b>
	<b>€bn</b>	<b>€bn</b>
Fixed Interest	74.6	70.6
Equities	30.6	28.7
Property	9.3	9.6
Alternative Investments <sup>4</sup>	2.9	1.8
Liquidity	7.4	5.7
<b>Total</b>	<b>124.8</b>	<b>116.4</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. Derivative based positions used for asset allocation by institutional clients are now reported against the relevant asset class to reflect the economic exposure of these instruments rather than as "Alternative Investments". June figures have therefore been reclassified to reflect this change.

## Fund Flows

### a) Fund flows for the three months to 30 September 2010

Client Category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	146
Institutional Funds	1,176	(578)	598
Sub Advisory	11	(95)	(84)
Acquisition of Thames River Capital	4,232	0	4,232
Investment Trusts	23	(141)	(118)
Open Ended Funds (UK Onshore)	168	(90)	78
Open Ended Funds (Offshore)	203	(225)	(22)
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>4,830</b>

### b) Fund flows for the nine months to 30 September 2010

Client Category	Inflows £m	Outflows £m	Net £m
Insurance Funds	N/A	N/A	(143)
Institutional Funds	2,728	(2,205)	523
Sub Advisory	331	(798)	(467)
Acquisition of Thames River Capital	4,232	0	4,232
Investment Trusts	133	(492)	(359)
Open Ended Funds (UK Onshore)	511	(310)	201
Open Ended Funds (Offshore)	654	(416)	238
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>4,225</b>

Thames River Capital had net inflow of £124m and gross inflows of £181m during September, which are included with the relevant client category in both of the tables above. For the quarter ended 30 September 2010, Thames River Capital net inflows were £211m and gross inflows were £522m.

## Thames River Capital Acquisition

The following tables demonstrate the impact of the Thames River Capital Acquisition on the Group's assets under management as at 30 September 2010 and also show the position on 1 September, the date of completion of the acquisition.

<b>1. Assets Under Management by Client Category</b>	<b>Total Group 30 September 2010 £bn</b>	<b>F&amp;C 30 September 2010</b>	<b>TRC 30 September 2010 £bn</b>	<b>TRC 1 September 2010 £bn</b>
Insurance Funds	<b>61.0</b>	61.0	-	-
Institutional Funds	<b>30.4</b>	30.3	0.1	0.0
Sub Advisory	<b>3.2</b>	3.2	-	-
Investment Trusts	<b>5.7</b>	4.8	0.9	0.8
Open Ended (UK Onshore)	<b>3.4</b>	2.9	0.5	0.5
Open Ended (Offshore)	<b>4.5</b>	1.6	2.9	2.9
<b>Total</b>	<b>108.2</b>	103.8	4.4	4.2

<b>2. Assets Under Management by Asset Class</b>	<b>Total Group 30 September 2010 £bn</b>	<b>F&amp;C 30 September 2010 £bn</b>	<b>TRC 30 September 2010 £bn</b>	<b>TRC 1 September 2010 £bn</b>
Fixed Interest	<b>64.4</b>	62.5	1.9	1.8
Equities	<b>26.6</b>	25.5	1.1	1.0
Property	<b>8.1</b>	8.1	0.0	0.0
Alternative Investments	<b>2.6</b>	1.5	1.1	1.1
Liquidity	<b>6.5</b>	6.2	0.3	0.3
<b>Total</b>	<b>108.2</b>	103.8	4.4	4.2