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Press Release

For immediate release

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Latin America's long-term outlook 'positive despite slowdown'

Although emerging markets have failed to escape the effects of the economic downturn shaking developed markets, the case for investment in emerging economies is still compelling. Despite current uncertainties, the outlook for the region remains positive as these economies are structurally stronger than developed markets and will continue to benefit from domestically oriented growth. In addition, current valuations of emerging market stocks look very attractive on a historical basis.

Over the last few years emerging markets have experienced a fundamental shift away from being highly dependent on exports to the developed world, to becoming economies mainly driven by domestic demand. In this context, and despite the recent stock market turbulence in countries such as Brazil and Mexico, Latin America remains a very attractive region for investors.

First of all, and compared to most developed markets, the main Latin American economies enjoy the very privileged position of having very solid public sector finances in place, lower fiscal deficits and lower levels of indebtedness. Although inflation remains an issue across the region, the global downturn and fall in commodity prices should remove some of the inflationary pressures. Secondly, Latin America's dependence

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on commodity exports has been vastly overestimated. In Brazil, for instance, the stock market index has a 50% exposure to commodities but only 10% of the Brazilian economy is linked to the commodities sector.

Another key issue to consider is the good health of the domestic banking sector, at a time when global competitors struggle to stay afloat. Recent news about the merger between Itaú and Unibanco - Brazil's third and fourth largest banks – show the strength of the sector.

Urban Larson, manager of the F&C Latin American Equity Fund, said: “Latin American banks have learnt through bitter experience to be overcapitalised and conservative and therefore they have managed to arrive at this time of turbulence in the banking sector with very solid balance sheets. Reserve requirements across the region, in particular in Brazil, are very high and banks are still lending. This is a very big difference with the rest of the world. The merger between Itaú and Unibanco will create a real financial powerhouse. Unlike in other markets where banks are being forced to merge out of necessity or desperation, this is a merger originated from a position of strength and, in my opinion, underlines the solidity of the financial system in Brazil, and Latin America in general.”

Larson concluded: “The recent turmoil in the credit markets has had a negative effect in all Latin American countries, resulting in a reduction in credit lines for Latin American exporters and banks and a slowdown in the growth forecast for the region. However we don't expect to see a deep economic crisis spreading across the continent. With the exception of Mexico, whose economy is more exposed to the US, we think Latin America is well positioned to avoid recession and continue growing, albeit at a slower pace.”

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Notes to Editors

F&C Investments

- F&C Asset Management (F&C) is a London Stock Exchange listed asset management group which traces its origins back to 1868 with the launch of the Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.
- F&C is an active fund manager with a multi-specialist investment model where individual teams have strong accountability for their products and processes. The group is also an active shareholder with a leading franchise in governance and sustainable investment.
- F&C now manages £93.3 billion (€118.4 billion) of assets* for a diverse range of institutional, insurance and retail clients across all major asset classes – equities, bonds, cash and property – as well as alternative and specialist product classes such as Socially Responsible Investment funds, hedge funds, funds of hedge funds, private equity funds, Global Tactical Asset Allocation products and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.
- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has an office network spanning ten countries: China (Hong Kong), France (Paris), Germany (Frankfurt), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), UK (London, Edinburgh, Dorking) and the United States (Boston).

* As at 30 September 2008.