

Stock Exchange Release

Schroders to acquire NewFinance Capital, a London-based Funds of Hedge Funds Manager

Tuesday 21 February 2006

Schroders plc ("Schroders") announces that it has reached agreement to acquire 100 per cent. of the share capital of NewFinance Capital, a London-based manager of funds of hedge funds. At 31 December 2005, NewFinance Capital had assets under management of approximately \$2.5 billion with net revenues of approximately \$20 million in 2005. The consideration will be \$101 million with up to a further \$41 million contingent on certain revenue targets being met, to be paid over a four year period.

Founded in 2002, NewFinance Capital has developed rapidly under a highly experienced management team, comprising Marc Hotimsky, Georges Saier and Thorkild Juncker, with institutional-quality investment processes and a focused product range in the multi-strategy and fixed income areas and more recently in credit, commodities and equities. NewFinance Capital's clients include UK, European, Middle Eastern and Japanese institutions, distributors and high net worth investors. NewFinance Capital has a staff of 28 and is based in London, with a research office in New York.

Schroders and NewFinance Capital have agreed to combine their funds of hedge funds activities under NewFinance Capital's management to create a global funds of hedge funds business with \$3.2 billion of assets under management. NewFinance Capital will become a wholly-owned subsidiary of Schroders operating as a separate company within the Schroder Group. The company will operate under the NewFinance Capital brand, with its managing partners and senior executives continuing in their existing roles. NewFinance Capital's existing Opus Fund range and investment process will remain unaffected, and the Schroders funds of hedge funds business will continue to be managed by the current team before combining with NewFinance Capital after closing.

Michael Dobson, Chief Executive of Schroders said, "This acquisition increases our exposure to alternative investments, broadens our product offering to clients with a range of institutional quality funds and gives us critical mass in an asset class which we believe will continue to be in demand by high net worth and, increasingly, institutional investors. We are delighted to welcome NewFinance Capital's team to the Schroder Group."

Marc Hotimsky and Georges Saier, co-founders and managing partners of NewFinance Capital, said "The NewFinance Capital team is excited to join forces with Schroders. This transaction ensures that we have the resources to continue building our research platform and focus relentlessly on the performance of our funds. We will continue to run NewFinance Capital as a dynamic, separate funds of hedge funds team. We look forward to leading the NewFinance Capital team for many years to come".

The transaction is expected to be broadly neutral to Schroders' 2006 earnings after the amortisation of intangible assets. Completion of the transaction is subject, inter alia, to regulatory approvals.

Schroders was advised by Lexicon Partners Limited in this transaction.

Schroders contacts

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