

A major re-branding exercise, the unveiling of two new boutique operations and the launch of a string of different products has kept Resolution Asset Management firmly in the spotlight

Stewart structures Resolution to perform



Chief executive officer

Gavin Stewart

Joined Resolution Asset Management and its board in January 2003 as chief operating officer. Became chief executive in May 2004.

Started his career in

financial services in 1981 with FS Assurance, which latterly became Britannia Life Group.

From 1990 to 1994 was finance director/deputy managing director for the BL Group. Between 1994 and 2000 held various senior roles in Scottish Amicable and Prudential. Most recently Gavin was group development director with Aegon UK.

The past year has been a hectic time for Resolution Asset Management. A major rebranding, plus the launch of new boutique operations and products have captured the headlines. In addition, the strengthening of Resolution's traditional in-house offerings have resulted in a dramatic increase in inflows from eager investors.

For Resolution Asset Management's chief executive, Gavin Stewart, the recently announced interim results are proof the business is heading in the right direction.

Business growth

"The business itself has grown very significantly and gross inflows for the first half of this year are more than the whole of 2005," he says. "This comes down to a combination of good investment performance and good products."

Total third party sales were up 86% on the second half of 2005 at £421m, with strong demand for property, bond and Far Eastern funds, supplemented by excellent sales from the Argonaut boutique.

Importantly for Stewart, money has been coming in from a wide variety of different products and sources.

"No one area has dominated," agrees Stewart. "Our boutique operations have had inflows, as have the bond funds and property funds. It's been very widespread and this illustrates the strength of the entire product range."

Hot property

Property, for example, has been one of the main growth areas, both as far as Resolution is concerned and in the wider investment world. The delivery of consistently positive annualised returns meant the sector has been too good to ignore.

The company's UK property unit trust fund was launched at the end of 2004 and its mandate of achieving income and capital growth from investing up to 100% in UK real commercial property has been a real winner.

"Commercial property has traditionally been difficult for retail investors to access," says Stewart. "Nowadays it's a very important asset class and we expect that to continue."

Similarly, Resolution's decision to launch a Dublin-based Sicav to replicate the UK funds in overseas markets is expected to be one of the big growth drivers during 2007.

"This is a global business and if you've got a skill in a particular area, then you can potentially attract investors from anywhere in the world," says Stewart.

Culture of change

While it's been a time of great change for Resolution Asset Management, some things have remained the same.

The most important of which is the traditional way that the company has put together funds of stocks bursting with potential by combining the investment manager/analyst roles.

Stewart believes this not only speeds up the decision-making process and ensures managers don't miss out on any exciting opportunities due to unnecessary time delays.

The re-branding from Britannic to Resolution is perhaps the most significant thing that's taken place over the past 12 months.

"Britannic was a brand people liked but they also felt it was old fashioned,"

explains Stewart. "We wanted something that conveyed a more modern, progressive image and I am absolutely convinced the Resolution name will resonate better with the consumer in the long-term."

The fact that Resolution Asset Management's parent company – Resolu-

"This comes down to a combination of good investment performance and good products."

Resolution

Asset Management

tion plc – is now comfortably ensconced in the blue chip FTSE 100 also helps the cause. “It’s true that you get some halo effect from that,” agrees Stewart.

Even so, Stewart stresses that Resolution AM remains a totally autonomous business within the wider Resolution group emphasising this is a key factor in how the entire asset management business is operated.

Autonomy and accountability

The culture was the first thing to be introduced by Stewart when he agreed to take over as chief executive in May 2004 with a brief to radically overhaul the company’s structure and objectives.

Having previously served as Britannic Asset Management’s chief operating officer, Stewart’s aim was to rejuvenate the company by turning it into a sleek operation offering “must buy” funds to intermediaries.

“We made the move towards more accountable and autonomous teams in the middle of 2004 and this has been a driving force behind the success we’ve enjoyed ever since,” he says. “It’s the cornerstone of our entire operation.”

He explains “We give accountability to teams and give them autonomy to decide how to run their operations – both within boutiques and other funds. Obviously we talk to them to ensure there’s a sensible process in place, but essentially it comes down to letting them manage the money in the best way that they see fit.”

This policy also means underperforming managers will take the rap when things go wrong. “There are no hiding places at Resolution and this is the philosophy that binds us all together,” says Stewart. “It’s very important that the people responsible for the fund’s performance are responsible for the decisions taken as well.”

Industry powerhouse

Generally speaking, Stewart is pleased with the pace of change at Resolution Asset Management.

“If I had tried to predict two years ago where we’d be today I would have underestimated what could be achieved,” he admits. “We have managed to get our message out to the market – and had it accepted – far quicker than I would have said was possible.”

“Our parent Resolution plc is now a powerhouse in the industry and we are managing Group assets of £60bn, up from around £13bn two years ago.”

The increasing levels of confidence permeating the business, he says, are the most pleasing aspects of all. “We ask people to work hard and they are willing to do so because they’re positive about the way things are progressing.”

However, while delighted with the level of success enjoyed so far, Stewart is anxious to stress that there’s certainly no room for complacency.

“It has been a very busy time and that will continue,” he says. “But I don’t think it can ever be a finished article as you can’t afford to take your eye off any area of the business.”

New product launches

This is one of the reasons so many different products – such as property and hedge funds – have been launched. “We have done a lot on the product development side,” agrees Stewart. “It’s important for a successful business to have a broad base and we have become specialists in areas we

believe we can add value.”

A prime example is the boutique operations. With three already in place – Argonaut, Cartesian and Hexam – Stewart sees this as an area ripe for further enlargement.

Joint ventures

The availability of star managers is likely to dictate the type of boutique operations established over the coming years.

“The key issue for me with boutiques is getting people that are good managers and who will work well with us,” he adds. “We don’t have any set views on where we would like to have exposure next.”

Continuing to push the company’s messages out to IFAs and investors is also at the top of the list of priorities. “You live or die by what your customers think of you – and whether or not you get the business,” says Stewart. “It’s

been well accepted so far, but there is always room for improvement.”

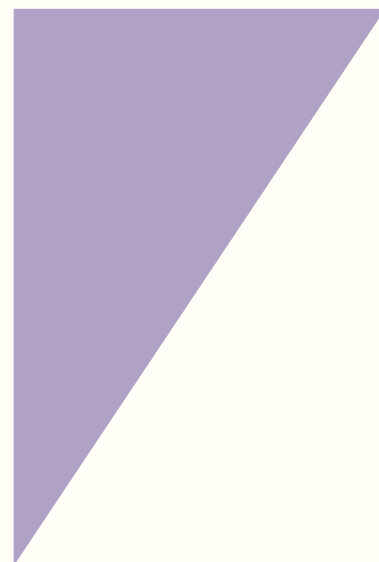
Top five company

Looking to the future, Stewart says his goal for the company is to become established among the top five companies in the asset management industry, although not necessarily on the basis of funds under management.

“I want to get to the stage that if we asked well-informed intermediaries or commentators to name the top five companies by virtue of their reputation that we would be among them,” he says. “We’re already seen as an interesting and entrepreneurial business and it’s our goal to continue growing that reputation.”

“But I don’t think it can ever be a finished article as you can’t afford to take your eye off any areas of the business.”

“I am absolutely convinced the Resolution name will resonate better with the consumer in the long-term.”



Resolution's joint venture boutiques are one of the most exciting innovations to hit the asset management world for years and a perfect complement to existing in-house products

Polin demands success through high-alpha and choice



Joined Resolution Asset Management as sales and marketing director in October 2004.

Sales and marketing director

Jonathan Polin

Following 13 years service as a British Army officer in the Royal Tank

Regiment, Jonathan began his career in financial services with the Prudential in 1991.

He spent time with Norwich Union and Taylor Young Investment Management prior to joining Aberdeen Asset Management in 1995 where he became managing director of UK, Europe and Middle Eastern sales. Jonathan left AMM in 2003 and went to HSBC where he was managing director of intermediary business.

Jonathan Polin has already overseen the launch of three high-alpha boutiques over the past couple of years – Argonaut, Cartesian and Hexam – and expects to have a further seven in place by the end of 2008.

Village of boutiques

The overall goal, he says, is to have a village of boutiques which offer investors access to high alpha performance as well as exposure to a broad range of different geographic regions, sectors and asset classes.

“Our client base – including discretionary managers, IFAs and those running fund of fund products – all want to produce much better returns,” he says. “We’re trying to meet this demand and this means delivering more high alpha products to the marketplace.”

Joint venture collaboration

The obvious solution, points out Polin, is going down the joint venture route. Fund managers love the freedom and flexibility of working in

a boutique-style environment, which is why so many high-profile names have made the leap in recent times. But not all of them will be successful. While a number have produced excellent performance figures, others face serious questions over funding arrangements and whether they are viable long-term businesses.

“The beauty of our boutiques is you’re combining the intellectual capital of star fund managers with the comfort factor of being in a large company,” he says. “We’re there to make sure everything is okay and to help weather the storms if they happen.”

In exchange for giving them a leg-up into ownership of their own business and taking away the unpleasant parts such as dealing with the regulatory issues and hunting out distribution channels, Resolution gets access to some of the best fund management talent operating in the industry.

Giving these managers a 50% stake in the business when a joint venture is established also means they’re far more likely to stay put and not be lured away by a rival investment house, adds Polin. The fact that they have significant equity in the business means their interests are closely aligned with those of their investors. It really is a win-win situation for everybody.

The strategy was first applied to Argonaut Capital Partners, followed by Cartesian Capital Partners. The third of the trio – Hexam – launched just a few months ago, is described by Polin as “perhaps our most challenging joint venture to date” as its attention is focused on the exciting world of emerging markets.

“We believe it’s important to have a stake in the emerging markets as an increasing amount of assets will be heading into them.”

Emerging markets

The first product launched as part of the Hexam collaboration, comprising a string of former Baring Asset Management stars – was the Resolution

Eastern European, Middle East and Africa (Emea) Absolute Return Fund, which appeared at the beginning of August.

This product has been followed by a Global Resources long/short fund and two long only funds covering emerging Europe and global emerging markets will be launched by the end of the year.

Despite his enthusiasm for joint ventures, Polin points out

this commitment doesn’t come at the expense of in-house funds. Both disciplines, he insists, are vital ingredients of the company’s asset management mix.

“Recruiting people and launching products shows the commitment to the investment that we’re continuing to make in the company.”

Resolution

Asset Management

"Boutiques are being launched as an addition to existing funds – not to weaken the proposition," he adds. "We are determined to continue strengthening the core funds and ensuring they are very competitive."

Part of this process will be improving the promotion of key products. The company's Asia Pacific team, he points out, is one of its best kept secrets by virtue of the fact that it hasn't been marketed as aggressively as its performance figures warrant.

"We have done well in this area and have produced 10 years of consistent returns," he says. "However, we have so far failed to get this message across to the market and it's one of the key challenges we're working on now."

Resolution also intends improving the depth of its research into this region's companies. Over the coming months, Diamond Lee, one of the company's leading investment managers, will be spending more time in Asia.

The Far East is not the only area in which Resolution plans to beef up coverage. New members of staff are being recruited to the company's UK equity and property teams, while Polin insists there will always be room for talented individuals.

Aim for the best

"We want to be very competitive in all parts of our business," he says. "That means we need to attract the very best fund management teams to Resolution and, as such, we're always talking to potential partners."

Polin – and other senior executives at Resolution – have proved themselves to be more than capable of taking tough decisions and this was demonstrated by the swift replacement of the European team earlier this year.

"You sometimes have to be brutal in the asset management world," he says. "When things aren't working you have to change them and this is one of

the changes in corporate attitude that's come with the new company. It's important that people realise we're deadly serious about this business."

At present, Polin is involved in a raft of fund launches across the business – as part of a determination to build on the solid foundations which have already been put in place.

"We're looking for really good fund managers in all disciplines," he says. "Recruiting people and launching products shows the commitment to the investment that we're continuing to make in the company."

Investment trust launches

The investment trust market is another area in which Resolution is keen to increase its exposure. In recent weeks a Property Investment Trust made a successful debut with a European Equity Income Investment Trust due to launch towards the end of October.

"I am keen to build an investment trust business, as well as everything else we're doing," admits Polin. "There's a lot of value in the existing investment trust world as it's been quite a fallow market for the last three years. Consolidation still needs to be done, but they will always have a place in the market."

There's no doubt Resolution has come a long way but Polin insists it's essential to keep driving forward.

"Our sales have increased tenfold since the end of 2004 and this has primarily been driven by the retail business," he says. "We have been able to demonstrate to the market that we are serious about change and have delivered it –

both internally and through our joint venture strategy."

Polin, who has been with the company for over two years, is widely credited as one of the real driving forces behind the re-launch of the business as a multi-asset specialist.

Polin came with a strong background in the financial services industry and an enviable track record working within the sales and marketing arena.

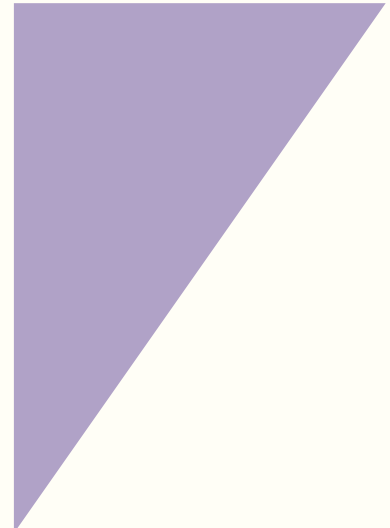
"My original brief was to shake the business up, make it more streamlined, ensure the right people were in place and raise everyone's expectations," he says. "It was a group that was punching below its weight, but all that has changed and people are looking at the company in a different light."

The re-naming of the business is a prime example. Being part of a company which has £60bn of assets and a place in the FTSE 100, he believes, make it an even more attractive proposition for both advisers and investors.

"We have started the process, but it needs further investment and promotion as I want to make sure people realise who we are," says Polin. "When advisers are choosing funds I want Resolution to be one of their 'must consider' companies. I want them to understand the dynamism of our business and what we're trying to achieve."

"We are serious about change and have delivered it – both internally and through our joint venture strategy."

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HIGH FLYING CARTESIAN

Cartesian UK Opps ideal for those seeking UK special sits

Cartesian is Resolution's joint venture high alpha UK investment boutique set up in collaboration with respected fund managers David Stevenson and Andrew Kelly. David and Andrew have worked together for 10 years and between them they have accumulated 28 years investment experience.

Cartesian, which was set up in December 2005, currently manages two Resolution funds, the Cartesian UK Opportunities Fund and the Cartesian UK Equity Long Short Fund. The UK Opportunities Fund is aimed at investors seeking a UK special situations fund, which has the flexibility to invest across the whole of the UK market. David and Andrew have an excellent performance track record and since joining Resolution late last year the fund has attracted over £42million.

Mid / small cap bias

David and Andrew follow a distinct but straightforward investment philosophy that revolves around seeing investments as part

ownership of individual businesses. They are stockpickers with a bias towards the UK mid and small cap universe where they see greater opportunities for growth. Many companies are rigorously analysed before the best are selected for the long-only portfolio. During this process the ones that fall by the wayside are often identified as potential short holdings for the hedge fund.

Cartesian UK Opportunities

- Fund return since launch – 15.6% v FTSE All Share 9.6%*.
- Top decile performance*.
- Previously managed SVM UK Opportunities Fund which returned 98.4% since launch against sector average of 2.6%**.



*Lipper, bid to bid, net income reinvested from launch on 29/12/06 to 29/09/06

**Lipper, bid to bid, net income reinvested.

SVM UK Opportunities Fund was launched 20/03/00 and returns are to 11/11/05 (date the managers left SVM).

HEXAM SIGNIFICANTLY BOOSTS RESOLUTION'S EMERGING MARKETS CAPABILITY

Hexam opens door to emerging markets

Resolution Asset Management's most ambitious collaboration to date, the Hexam boutique specialises in global emerging markets. Set up over the summer in conjunction with Bryan Collings, John Payne and Marina Akopian, the trio were later joined by investment managers Grant Shoter and Wilfred Willwong. Assistant investment manager, Neil Denman provides consultancy services. Stuart Richards is due to join Hexam as a partner later this year. All seven were previously members of Baring Global Emerging Markets team.

Early success

Hexam is based in London and operates autonomously. The target market includes traditional European hedge fund buyers with equity long/short funds, and interna-

tional investors with long only products.

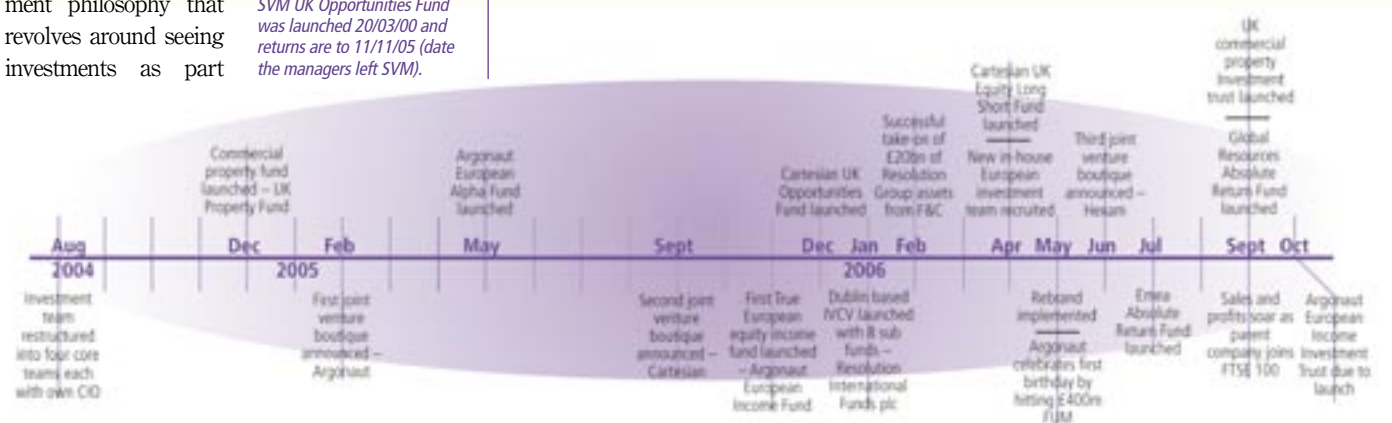
Resolution is launching a slew of products from its boutique business Hexam. In addition to the recent launch of the EMEA Absolute Return Fund, a second fund was just launched – the Global Resources Absolute Return Fund. There are also plans to launch two absolute long-only funds in October. These will be a Global Emerging Markets fund, and an Eastern European portfolio. All the funds are domiciled in Dublin and each will be seeded with £20m from Resolution.

"The partners at Hexam Capital have a wealth of experience and expertise in global emerging markets investment. They provide Resolution Asset Management with capability in an area we

believe will attract increasing inflows in the next few years.

Indeed, we have already received a very significant investment into the EMEA Fund and this augurs well for the future" Jonathan Polin, sales and marketing director.

- Emea (Europe, Middle East and Africa) Absolute Return Fund launched July 06.
- Global Resources Fund Absolute Return launched September 06.
- Long only Dublin-based funds in development.
 - Global Emerging Markets Fund.
 - Emerging Europe Fund.



ARGONAUT HAS QUICKLY ESTABLISHED A STRONG FOLLOWING WITHIN THE UK AND INTERNATIONAL MARKETPLACE

Argonaut European boutique is a phenomenal success

The success of the Argonaut joint venture European boutique has exceeded all expectations. Argonaut partners Barry Norris and Oliver Russ manage four Resolution products. From a standing start, total assets under management are now over the £450m mark in less than 18 months. It's been a tremendous start that has established a strong following for Argonaut within the UK intermediary and international markets.

Norris said: "We are delighted to reflect on a great start, success in fund performance, product innovation and the enthusiasm with which our distinct proposition has been greeted in the UK and International marketplace. We will build on this solid achievement and continue

our search across Europe for alpha."

Leading fund manager

Barry Norris has continued to enhance his reputation as an excellent fund manager while running the flagship fund, the Argonaut European Alpha Fund. It has returned over 50%* since launching in May 2005. This has led to Norris being awarded a Citywire AAA rating, while he is also ranked the number one fund manager in the Europe ex UK sector over two and three years to 31 August 2006.

Equity income with a twist

At the turn of the year Resolution AM launched the first true European equity income fund in the Europe ex UK sector and this fund has also

been greeted positively by the market. The Argonaut European Income Fund has attracted well over £130m in new money as investors have taken advantage of an income yield of around 4.6%[<]. This compares favourably with the MSCI index yield of around 3%-3.3%.

Russ commented: "The fund is designed to exploit the very high yields available from European equities right now. Many investors have UK equity income funds and we believe our fund offers them an excellent diversification opportunity within the equity income market which was previously unavailable.

There is a sea change in European companies' attitude towards capital discipline which means returning cash to shareholders,

either via dividends, special dividends or share buybacks,' continued Russ.

Market outlook

According to Norris: "Some of the most attractive companies today are actually the blue chips in the major markets which have been overlooked in the search for the more exotic flavours in the eastern European markets which are now largely overplayed. We are finding household names that are now offering compelling value and the recent market falls have created some excellent buying opportunities."

Jonathan Polin, commented: "The Argonaut venture has been a triumph and these early successes blaze a trail for other funds under consideration to be launched later this year."

Alpha

- 54.8% since launch*.
- Managed by Barry Norris.
- Citywire AAA rated[#].
- No1 fund manager in Europe ex UK sector over 2 and 3 years

Income

- 14.9% since launch**.
- First true European equity income fund offering diversification opportunities.
- Yield 4.6%, income paid quarterly[<].

**Lipper, bid to bid, net income reinvested from launch on 12/05/05 to 29/09/06*

#Citywire Europe ex UK ranking report 31/08/06

***Lipper, bid to bid, net income reinvested from launch on 15/12/05 to 29/09/06*

<Yield as at 29/09/06 less tax and applicable fees. Yields may vary.

BRICKS & MORTAR OFFERS TRUE DIVERSIFICATION

Unlike its rivals, UK Property is limited to bricks and mortar

The outlook for commercial property remains attractive and is on course to deliver total returns of 16.5% for 2006. Year-to-date, it has outperformed both equities and gilts. As the scope for further yield re-rating reduces, stock selection and asset management will be key

drivers of performance for commercial property funds. There are some risks on the horizon but the fundamentals are in place to ensure returns in the coming years are still attractive even if property performance, as expected, returns to more sustainable long term average levels of

around 6%-7%.

Bricks and mortar only

UK Property, unlike many of its competitors, only invests in real commercial property (bricks and mortar). It distributes its income monthly and is managed by an experienced property

team which consists of investment and asset managers. The mature portfolio has grown significantly since its launch in December 2004 and the fund has purchased over £120m of new property this year alone. This fund offers investors true diversification in addition to

steady returns.

UK Property

- 24.9% return since launch*.
- Bricks and mortar fund – invests in no other assets.
- Only fund to offer monthly income.

PROOF OUR NEW INVESTMENT APPROACH IS WORKING

Fund	Quartile over 1 year
Argonaut European Alpha Fund*	1
Cartesian UK Opportunities Fund** <small>(Fund launched 29/12/05)</small>	1
Corporate Bond***	1
High Income Bond***	1
Pacific Growth Fund*	1
Smaller Companies Fund*	1
UK Focus Fund*	1

Past performance is not a guide to the future

To find out how our genuinely different approach can benefit your clients
call 0845 60 50 444 or visit www.resolutionasset.com

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This advertisement is for investment professionals only and shall not be relied upon by private investors. The value of investments can fall as well as rise and is not guaranteed. *Source: Lipper bid to bid, net income reinvested one year to 29/09/06. ** Performance since launch. *** Source: Lipper bid to bid, net income withdrawn one year to 29/09/06. Your call may be recorded for training purposes. Issued by Resolution Fund Managers Ltd trading as Resolution Asset Management. Authorised and regulated by the Financial Services Authority.

ASIAN STAR SHINES BRIGHT

Pacific Growth is successfully stealing a march on competitors with its consistent outperformance

Over the years the consistency of Resolution's highly acclaimed Pacific Growth Fund has attracted the attention of a number of leading managers particularly fund of funds managers who appreciate the value and added depth this portfolio can deliver in terms of making their own products more broadly diversified. Considered a core Asia-Pacific fund because of its relatively lower risk profile, it has achieved a consistency of out-performance that is

the envy of many of its competitors.

Consistency

The core investment team has been together for eight years. Lead fund manager, Citywire A-rated Diamond Lee#, has been at the helm for nine years. Unlike many other funds, this means the Resolution Far East investment team really is responsible for the fund's excellent track record. Its consistency, which is evidenced through endorsement by leading independent industry analysts,

demonstrates the team's ability to deliver performance regardless of the volatile nature of Asia-Pacific markets.

Targeting China

The team has an established investment process which has delivered good results, however they are always looking to improve things around the edges. To this end Diamond Lee will now spend every second month in China to further improve his knowledge of the fast growing Chinese equity market. He will

target the so called second tier cities where growth is very much in evidence. This is where most of the cutting edge development is and he believes the next generation of wealth is going to be made.

Pacific Growth

- Top quartile over 1, 2, 5, 7 & 10 years*.
- Outperformed its sector median 9 out of last 10 years**.
- Top quartile Information Ratio over 1, 3, 5, 7 & 10 years***.
- S&P AA-rated, Forsyth-OBSR A-rated.



*Lipper, bid to bid, net income reinvested to 29/09/06

**Lipper, bid to bid, net income reinvested to end of September each year

***Lipper, info ratio to 29/09/06

#Citywire 31/08/06

BOND APPEAL

Resolution now established as leading bond fund player

Resolution Asset Management has developed an enviable reputation for managing bonds over the last 10 years. With £21bn of fixed income assets under management Resolution AM is regarded as one of the leading bond fund managers in the UK. It offers two retail bond funds, the Corporate Bond Fund and the High Income Bond Fund. Each have established excellent track records for both an income and growth perspective. The funds are managed by Citywire A-rated fund manager Joe McKenna,

Resolution's Chief Investment Officer, Global Fixed Interest.

Favourable outlook

McKenna is positive on the outlook for bonds: "I think the asset class is more attractive than it was at the start of the year; yields have risen 60 basis points since then. I'd say bonds are now equally capable of returning a similar amount to equities over the next 12 months.

A return of around 6-8% is possible from corporate bonds over the next 12 months. However – be diversified – we still haven't

really seen any big blow-ups, but I think there is still potential for this to happen. Therefore, investors should avoid being in concentrated portfolios and try not to be exposed to too much interest rate risk in the short-term."

Corporate Bond

- Top decile for income over 1,3,5,7,10 years*.

- Only fund top quartile for income over each discrete year for the last nine*.
- Top quartile for growth over 5, 7 & 10 years**.
- Invests only in bonds – no other riskier asset class.
- Top quartile for information ratio over 1, 3, 5, 7 & 10 years***.
- S&P AA-rated.

High Income Bond

- Top quartile for income over 1,3,4 & 5 years*.
- Invests in only bonds – no other riskier asset class.
- S&P A-rated.

*Lipper, bid to bid, net income withdrawn to 29/09/06

**Lipper, bid to bid, net income reinvested to 29/09/06

***Lipper, info ratio to 29/09/06

Resolution
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