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Press Release

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Hermes actively seeks institutional investors for its commodity funds

As part of its strategy to raise assets, Hermes Fund Managers is now actively marketing its commodities expertise to long term institutional investors. Hermes Commodities, led by Colin O'Shea, Jason Lejonvarn and David Hemming, is one of the largest fund long-only commodities managers with just over £1billion of assets, primarily for the BT Pension Scheme.

The move to open the commodity funds to outside institutions comes at a time when the team can demonstrate strong, consistent performance ^[1] and a growing realisation from pension funds that exposure to commodities can provide significant benefits.

The team expects their first external investments at the end of March with further commitments in the pipeline. Separately Hermes Commodities has been short-listed for the UK Alternative Investment Manager of the Year as part of the 2010 UK Professional Pensions Awards.

Colin O'Shea, Head of Hermes Commodities, commented "Adding commodity exposure to a pension scheme's strategic asset allocation can provide significant diversification benefits through low correlation with other asset classes. Overall pension scheme risk can be lowered by adding commodities without a reduction in return expectations. In addition, commodities offer portfolio protection by hedging against rising inflation and event risk."

Hermes Commodities manages three funds: The Index Fund, The Index Plus Fund (enhanced beta) and The Alpha Fund (portable alpha). The Hermes Commodities Index Fund delivers commodity benchmark returns net of all fees while an ETF, for example, may deliver the commodity benchmark return minus fees and costs. The Hermes Commodities Index Plus Fund seeks to outperform the commodity benchmark by 3% per annum. Finally, the Hermes Commodity Alpha Fund seeks to deliver cash plus 3% per annum.

With relatively few experienced long-only index and active commodity managers in the market, Colin O'Shea continued, "We bring a successful, four year track record to market combined with the experience of a large European pension scheme and its strong governance culture: A compelling solution for pension schemes and their trustees."

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Notes to editors:

1. Hermes Commodities Alpha Fund produced a return of 3.3% above benchmark since inception on 1 May 2008 to 31 December 2009, benchmark is one month Sterling LIBOR.

Hermes Commodities Index Fund produced a return of 0.7% per annum above benchmark since inception on 1 January 2006 to 31 December 2009, benchmark is S&P GCSI Light Energy Total Return Index.

Hermes Commodities Index Plus Fund produced a return of 4.8% above benchmark since inception on 1 April 2008 to 31 December 2009, benchmark is S&P GCSI Light Energy Total Return Index.

Hermes

Hermes is a multi boutique asset manager comprising a series of specialist investment partnerships with a truly long-term and responsible approach to delivering investment returns. We offer our clients the best combination of specialist investment teams and products along with a robust operating platform from which to operate.

Hermes offers investment solutions which range from alternative strategies such as fund of hedge funds, commodities, private equity and our engagement focus funds to real estate, specialist equity products and fixed income. Hermes invests assets on behalf of over 180* clients across these product areas and has £24.6bn* under management. Additionally, we help pension funds meet the highest standards of responsible long term ownership through our innovative Equity Ownership Service, which has over £40 billion* of assets under stewardship.

Hermes is the principal investment manager for the BT Pension Scheme (BTPS) and BTPS is also the 100% owner of Hermes. This unique relationship gives us a long-term parent whose requirement for investment excellence is perfectly aligned with that of all of our other clients and provides a privileged insight which informs our product development.

* As at 31st December 2009