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Press Release

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Hermes acquires Sourcecap International

- **Acquisition gives Hermes [US\$1 billion] under management in Active European Equities**

Hermes Fund Managers Ltd (Hermes) has purchased a majority interest in Sourcecap International, a growth oriented, active European equity manager run by Andrew Parry and James Rutherford. The new business will be called Hermes Sourcecap.

This acquisition provides Hermes with the expertise to develop further a specialist investment partnership focused on a core European equities capability, with Hermes owning the majority share and its partners and employees having a stake in the long-term profitability and enterprise value of the business. The CalPERS Manager Development Program II will retain its existing stake in the company through Legato Capital Management Ventures LLC.

Sourcecap International is a London-based investment business specialising in managing high-alpha European equity portfolios for institutional clients. Its senior management team look forward to working with Hermes in building a best in class European Equity business. James Rutherford is the lead fund manager and CIO. James joined Sourcecap in 2006 from Fidelity International where he managed \$19bn in pan-European equities for institutional clients. Andrew Parry is the CEO/COO and also joined the company in late 2006. He has over 25 years experience in investment management and previously founded specialist asset manager Pembroke Capital Management. Prior to this, he was Chief Investment Officer of international equities at Northern Trust Global Equities in Europe.

The BT Pension Scheme (BTPS) will be making a significant investment of £200 million into a segregated account and a UCIT III vehicle which will replicate the European Alpha product. This investment will bring the total assets under management of Hermes Sourcecap to US\$1.1 billion. Sourcecap has seen rapid growth in assets since its inception - other existing blue-chip institutional clients include CalPERS and Russell Investments.

Sourcecap see significant potential for enhancing the development of its business in partnership with Hermes with the new UCIT III fund an early example of expansion into new areas of distribution. It gains another major global investor, BTPS, as a client and also will benefit from the resources and infrastructure that Hermes can provide. Andrew Parry said "We are delighted about the transaction and very excited about the future".

Rupert Clarke, CEO of Hermes, commented:

"This is an outstanding acquisition, and takes us a stage further on our mission to build a successful boutique asset manager. We stated earlier this year that we would pursue a strategy of team acquisition where we do not currently have capability. This move (which

follows a month after our recruitment of a global equities team from Fortis) is further evidence of our strategy coming to fruition.

“The high alpha European Equity strategy is an excellent fit for BTPS’s requirements, and we expect the business to move to a position of even greater scale in the medium term. We are delighted to bring in such a high calibre team with an excellent track record and established institutional client base.”

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Notes to editors:

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 private equity, fund of hedge funds, commodities and our engagement focus funds to real estate, fixed income and specialist equity products. Hermes invests assets on behalf of over 180* clients across these product areas and has £21.6bn* 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 advisor and principle 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 30 September 2009

** Estimate as at 30 September 2009.