

10 May 2005

Equity Research

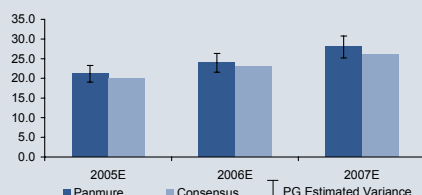
Key Data

Price	307p
Price Target	410p
Market Cap	£2485m
FT All Share	2,441
Sector	Specialty & Other Finance
Stock codes	AVZ.L / AVZ.LN
Next Event	Interims - 28 July 2005
Gearing	22%

Absolute & relative performance



Panmure Gordon EPS rel to consensus



Source Reuters, Panmure Gordon

AMVESCAP

BUY

Recovery underway

The sale of AMVESCAP Retirement to Merrill Lynch and the restructuring of the US Institutional and Continental European businesses indicates an appetite for structural change and a willingness to tackle key issues.

- **Canada a key earnings driver.** The Q1 financial results were broadly as expected, bearing in mind some IFRS-related tinkering. The positive surprises were robust fund flows outside of the US and the emergence of AIM Trimark in Canada as a key earnings driver.
- **US & European restructuring will benefit H2.** Tackling key issues within US Institutional and Continental Europe will reap benefits in terms of improved investment performance and reduced infrastructure costs; the price will be increased fund outflows in Q2.
- **Relatively cheap and fundamentally undervalued.** The shares remain relatively cheap and fundamentally undervalued. Based on valuations afforded to comparable US and UK-quoted proxies, we target a relative fair value of 410p per share, which implies 35% upside.
- **Management changes should catalyse re-rating.** The announcement of a new CEO-designate, due by midyear, should provide the catalyst for improved investor sentiment and hence re-rating; we reiterate our Buy recommendation.

Year end December	Sales (£m)	PBTA (£m)	EPS (p)	P/E (x)	EV/EBITDA (%)	Yield (%)
2004A	1,158.5	269.8	21.7	14.1	8.9	2.4
2005E	1,198.1	261.1	21.2	14.5	9.1	3.8
2006E	1,286.2	295.2	24.0	12.8	8.5	3.8
2007E	1,428.5	344.8	28.0	11.0	7.6	3.8

Source Company Data, Panmure Gordon

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INVESTMENT CASE

The recovery process is underway. Strategic disposals, exiting non-core activities, and the migration of management contracts to high performance units should reap benefits in the medium term. The cost will be increased near-term outflows.

POSITIVE MEDIUM-TERM OUTLOOK

Management now willing to implement change

CEO Charles Brady has described 2005 as a year of rebuilding; to that we would add regeneration and restructuring. The sale of AMVESCAP Retirement to Merrill Lynch represents the first significant strategic disposal in the group's recent history; the fact that the disposal marks the group's exit from the "bundled" US 401k and IRA markets, key growth initiatives only four or five years ago, is evidence of the extent of the transformation currently taking place within the group. The decision to migrate US and European institutional clients from traditional value and growth equity products managed locally to the New York-based Structured Products Group demonstrates a willingness to implement change when necessary.

Rebuilding revenue momentum plus scope for cost savings

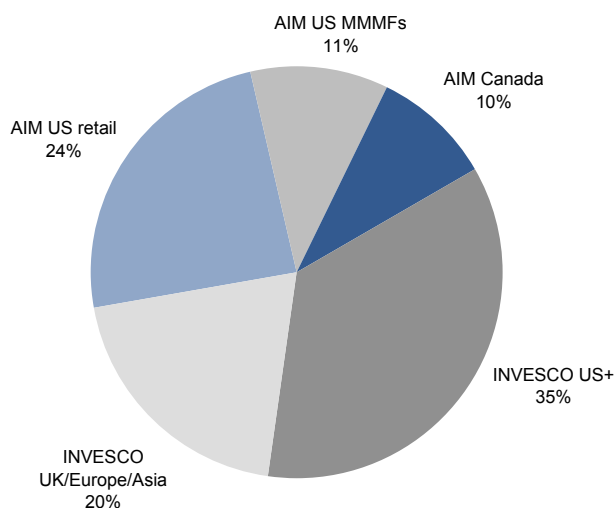
With scope for streamlining infrastructure costs, the potential for performance and fund flow recovery at AIM US, continued strong growth in Canada and the UK, and a return to profit at INVESCO Europe/Asia and Private Wealth, the medium-term earnings growth outlook is positive.

Canada has emerged as a key earnings driver

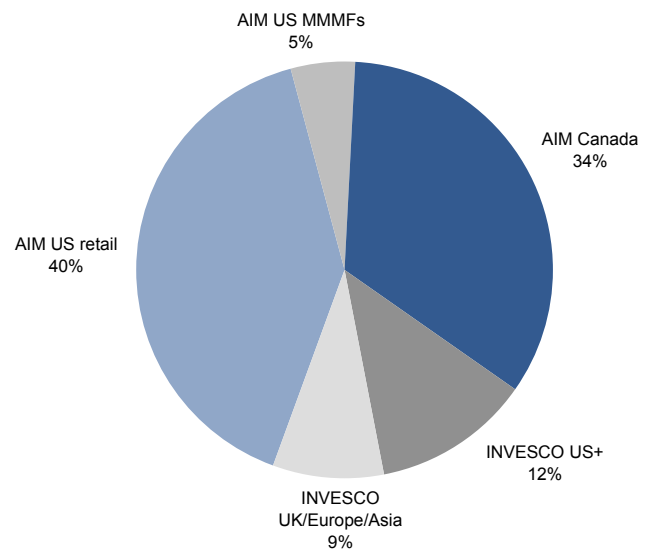
LESS RELIANT ON US RETAIL

AMVESCAP is now much less reliant on its US retail mutual fund activities. The charts below show end-March assets under management (AUM) and Q1 2005 operating profit by main division.

End-March 2005 AUM by division



Q1 2005 operating profits (before central costs)



+INVESCO US plus PW/Retirement

Source Company, Panmure Gordon

The real surprise is the size of the operating profit contribution from AIM Canada. At 34% (up from 29% in 2004), this is fast approaching our estimate of the AIM US retail contribution of 40% (down from 45% last year). Clearly a return to profit at Private Wealth and/or INVESCO Europe/Asia, and/or continued operating margin expansion at INVESCO UK, would further dilute the significance of the US retail business.

Legislative changes augur well for continued strong growth at AIM Trimark

AIM TRIMARK & GSPG INCREASINGLY IMPORTANT

AIM Trimark in Canada looks set to become increasingly important, partly due to its superior earnings momentum in comparison with the rest of the group, but also because of legislative change in Canada. The federal government's decision to remove the 30% cap on foreign content in retail savings and pension plans (50% of the Canadian mutual fund market) augurs well for global investment specialists such as Trimark.

Structured Products has become a key equity product manufacturer

The Global Structured Products Group (GSPG) in New York has assumed responsibility for some European management contracts and looks set to receive the bulk of \$10bn in US institutional mandates migrated from the group's large cap value and growth equity managers in Atlanta and Louisville. Offering structured equity, enhanced index, large/mid/small cap, Euroland, global, market neutral and absolute return products, GSPG looks set to become a more significant equity product manufacturer within the AMVESCAP group.

The sale of Retirement marks the first significant strategic disposal in the group's recent history

STRATEGIC DISPOSAL OF AMVESCAP RETIREMENT

On 21 April, Merrill Lynch announced plans to purchase AMVESCAP's US defined contribution record keeping business, AMVESCAP Retirement, along with its registered broker dealer subsidiary. The sale of the business by AMVESCAP reflects the group's changing business model, which is now focused on manufacturing and distributing asset management product.

Management has commented that Retirement incurred losses of around \$2m-\$3m in Q1 2005. Assets under administration amounted to around \$21bn as at end March; while US defined contribution assets under management totalled some \$8bn at end March, these assets are managed by AIM and not included in the sale.

As a result of the sale, AMVESCAP end-March headcount of 6,417 should fall to around 6,000. This compares with a peak headcount of closer to 9,000, and now leaves scope for the sale of surplus premises.

Potential for sizeable property cost savings

STREAMLINING INFRASTRUCTURE

AMVESCAP has an excess of properties around the world. With refocusing taking place in Europe and in the US institutional businesses, and following the sale of Retirement, we see the potential for sizeable infrastructure cost savings.

CEO-designate to be announced by mid year

NEW MANAGEMENT

On 14 April, AMVESCAP updated investors on progress in the search for a new Chief Executive Officer. A shortlist of candidates has been prepared and a target of "mid year" has been set to complete the search process.

In our view, the naming of a CEO designate will be a major catalyst for further restructuring, improved investor sentiment towards AMVESCAP, and as a result, improved share price performance.

Strategic developments could lead to a worsening of outflows in Q2

Q2 PAIN, H2 GAIN?

A negative element within the Q1 results announcement and conference call was the forewarning that Q2 outflows are likely to worsen. Management expects to lose some US institutional clients on the migration to GSPG and as a result of annual reviews on US defined contribution customers. We may therefore have to wait until the Q3 announcement (27 October) for tangible evidence of a turnaround on assets flows rather than at the interim results (28 July).

Cheap relative to Janus and Schroders;
undervalued on fundamentals according to
DCF analysis

RELATIVELY CHEAP AND FUNDAMENTALLY UNDERVALUED

As set out in detail in the Valuation section later in this note, we derive a relative valuation for AMVESCAP using Janus and Schroders as proxies for the AIM and INVESCO divisions (as we define them). The analysis suggests a current fair value of 413p per share.

To complement this relative valuation, we have calculated a range of absolute valuations based on discounted free cash flows. Our central case suggests a fair absolute value of 421p; turned around and solved for asset growth implied by the current price, the market seems to be discounting longer-term AUM growth of little more than 3% per annum.

RE-ITERATE BUY RECOMMENDATION

Reiterate Buy recommendation; current fair
value 410p per share

We therefore reiterate our Buy recommendation and set a new relative value-based price target of 410p per share, which represents 35% upside. The announcement of a new CEO-designate in June/July should provide a trigger for re-rating.

CATALYSTS

- New CEO announcement by "mid year"; we look for an announcement before the end of June.
- Interim/Q2 results on 28 July; we expect higher net outflows primarily due to restructuring as opposed to poor investment performance issues.
- Q3 results on 27 October; we expect to see the first signs of the benefits of restructuring in reduced net outflows and improved profitability.
- The full details of the AMVESCAP Retirement disposal will be made public on completion. We expect there to be a small gain on sale.

RESULTS ANALYSIS

Strategic repositioning bodes well for the longer term

There was much more to the Q1 results announcement than the in-line results. Repositioning in the US retirement savings market, and strategic developments in the US institutional and Continental European businesses bode well for longer-term prospects, even if they involve increased outflows in Q2.

RESULTS SUMMARY: EARNINGS IN-LINE; FLOWS A POSITIVE SURPRISE

Q1 income, expenses and earnings were basically as expected, give or take some IFRS-related movements, aided by a successful insurance recover of about £6m in legal expenses insurance recovery. The positive surprise was the robustness of the non-US retail businesses, given the market backdrop and the near-term impact of some strategic moves being implemented behind the scenes. Group-wide net outflows of 'only' \$2.5bn during the quarter were much better than feared, with \$2.9bn of US retail outflows were compensated for by \$0.4bn of inflows elsewhere, with particularly strong performances in Canada and the UK.

Q1 results broadly in line; flows better than forecast

Income & expenses: broadly in line with market estimates

Although somewhat distorted by the first time use of IFRS, and some non-recurring items in the comparative figures for both Q1 and Q4 last year, the group's income, expenses and operating profits were all broadly in line with expectations. (Last year's Q1 benefited from a £6.4m gain on the sale of the UK private wealth business (reflected in the interest/investment income line), while the Q4 saw around £9m of non-recurring real estate profits reflected in higher operating income.)

Q1 2005 – Income & expenses summary (£m)

Year to December	Q104	Q404	Q105	Q1/Q1 (%)	Q1/Q4 (%)
Operating income	288.3	300.5	286.0	-1	-5
Operating expenses	-214.0	-226.9	-217.2	1	-4
Operating profit	74.2	73.5	68.8	-7	-6
Interest/inv. income	-0.7		-9.8		
Pre-exceptional PBT	73.6		59.1		
Tax	-26.1		-21.1		
Minorities	-0.1		-0.1		
Attributable profit	47.4		37.9		
EBITDA	100.8	96.3	88.8	-12	-8
EBITDA / share (p)	12.4	12.0	11.1	-10	-8
Reported EPS (p)	5.9	5.1	4.8	-19	-6
Diluted EPS (p)	5.9	5.1	4.7	-20	-7

Source Company

US outflows continued, as expected ...

AUM, asset flows & margins: better than feared

The group's Q1 2005 fund flows served as a timely reminder that there is more to AMVESCAP than US mutual funds.

Since US and Canadian mutual fund flows are estimated/reported monthly by statistical agencies such as AMG (www.amgdata.com), Strategic Insight (www.sionline.com), and Investment Funds Institute of Canada (www.ific.ca), net fund flows for the group's US and Canadian retail fund flows can be reasonably well forecast prior to results announcements.

As expected, therefore, AIM US retail (ie AIM US excluding institutional money market mutual funds (MMMFs)) saw net outflows of \$2.9bn. In addition, the US institutional business, INVESCO US, saw net outflows of \$2.0bn.

... but were partially offset by strong non-US flows

The positive surprise was the \$2.4bn of inflows from outside of the US, containing group-wide net outflows to \$2.5bn (0.7% of 2005 opening AUM of \$382bn), as compared with outflows of \$18bn in the last three quarters of 2004. Hardly the "haemorrhaging" of assets banded around the market prior to the figures.

2005 Q1 – AUM, asset flows & margins (£m)

Year to December	Q104*	Q204	Q304	Q404*	Q105*
Income	288.3	288.8	280.9	300.5	286.0
Expenses	-214.0	-212.2	-208.0	-226.9	-217.2
Operating profit	74.2	76.6	72.9	73.5	68.8
Opening AUM (\$bn)	370.6	381.4	371.8	362.7	382.1
Investment return	7.3	2.0	-4.1	20.8	-1.4
Net flow	-1.5	-5.4	-5.0	-7.6	-2.5
Other	5.0	-6.2	0.0	6.2	-2.8
Closing AUM	381.4	371.8	362.7	382.1	375.4
Average AUM (\$bn)	376.0	376.6	367.3	372.4	378.8
£:\$ rate	1.84	1.81	1.81	1.92	1.89
Closing AUM (£bn)	207.3	205.4	200.4	199.0	198.6
Average AUM	204.3	208.1	202.9	194.0	200.4
Revenue/Avg AUM (%)	0.56	0.56	0.55	0.62	0.57
Expenses/Avg AUM (%)	-0.42	-0.41	-0.41	-0.47	-0.43
Operating profit/Avg AUM (%)	0.15	0.15	0.14	0.15	0.14
Operating profit margin (%)	25.8	26.5	25.9	24.5	24.1

* Income & expenses on IFRS basis

Source Company

Q1 saw the first time impact of US mutual fund fee reductions ...

The above table blends re-stated IFRS income and expenses for Q1 and Q4 last year with UK GAAP figures for Q2 and Q3, and hence the margins on average AUM derived from them are not strictly comparable. Two significant differences in the IFRS numbers are option expensing (£3.3m in Q1 2005, not disclosed for Q1 or Q4 last year) and the inclusion of management contract amortisation in the expenses line rather than in goodwill amortisation as it was under UK GAAP.

... and benefited from a legal expenses insurance recovery

For interpreting these margins, we note that:

- Q1 2005 is the first quarter to incorporate the US retail mutual fund fee reductions agreed as part of AMVESCAP's settlement with the SEC, the Secretary of State of Georgia, and the Attorneys General of New York and Colorado. Broadly, we estimate a reduction in revenues in Q1 of around \$4m, all other things equal.
- Q1 this year saw fewer billing days than the quarterly average (this matters since the US mutual funds charge management fees on a daily basis).
- As mentioned above, revenues in Q4 last year were boosted by around £9m of non-recurring revenues from the US real estate activities.
- AMVESCAP increased its advertising/marketing budget by around £5m during Q1.
- The Q1 outcome benefited from about £6m in legal expenses insurance claim.

CASH FLOWS & BALANCE SHEET

End March net debt amounted to £556m

The Q1 saw gross cash flows (operating profit plus depreciation/amortisation) of £80m, out of which around £30m was paid out in interest, tax, capital expenditure and fixed asset purchases, leaving net cash flows before working capital requirements of around £50m. The group's net debt was reduced from £591m at end December 2004 to £556m at end March 2005. During the Q1 AMVESCAP retired \$400m of long-term debt and replaced this with a \$500m

draw down on the group's new \$900m five-year credit facility, which should be reflected in lower on-going banking fees and borrowing costs.

The group's balance sheet, restated under IFRS, showed end-March net assets of £1,951m, and negative net tangible assets of £(586)m.

DIVISIONAL ANALYSIS: MIX SHIFT AWAY FROM US

Non-US businesses accounted for 43% of Q1 operating profit before central costs

The table below shows that, despite some reallocation of revenues and costs from INVESCO Europe to INVESCO US, the non-US activities are increasing their relative contribution.

Q1 2005 AUM, revenues & operating profits by division*

3m to Mar 2005	AUM (\$bn)	Mix (%)	Revenues (£m)	Mix (%)	Op profit (£m)	Mix (%)	Margin (%)
AIM US retail	90.3	24	94.3	33	31.1	40	33
AIM US MMMFs	40.7	11	6.3	2	3.8	5	60
AIM Canada	35.9	10	47.1	16	26.2	34	56
INVESCO US	118.0	31	50.1	18	11.5	15	23
INVESCO UK	51.6	14	52.7	18	7.4	10	14
INVESCO Europe/Asia	23.9	6	15.9	6	-0.6	-1	-4
PW/Retirement	15.0	4	19.5	7	-2.1	-3	-11
	375.4	100	286.0	100	77.2	100	27
Corporate/central					-8.4		
					68.8		

*Revenue and operating profit breakdown at AIM US estimated

Source Company, Panmure Gordon

- The AIM US operating profit contribution to the mix fell from 49% in 2004 to 45% in Q1 2005 (and we estimate the US retail contribution fell from 45% to 40%);
- The AIM Canada contribution increased from 29% in 2004 to 34% in Q1 2005;
- The Canadian contribution to the AIM division amounted to 43% in Q1, up from 37% in 2004. Excluding institutional money market funds, we estimate the US retail contribution to AIM division profits was 51% in Q1, down from 58% in 2004.

AIM US: Q2 pain before H2 gain?

Restructuring driven outflows in Q2 before performance led inflows in H2?

AIM US incorporates two businesses – the retail, mainly equity mutual fund business, with \$90bn under management, and the institutional money market funds business, with \$41bn under management.

The retail business continued to see net outflows during Q1, which at \$2.9bn amounted to 3% of opening AUM. This compares with outflows totalling \$9.9bn during the final three quarters of 2004 and hence doesn't indicate much in the way of improvement. The issue is mainly one of performance, and although AIM's one-year performance figures are improving (according to Lipper, some 70% of AIM's funds were ranked in the top half in Q1), its three-year figures are still poor, and it is likely to be some time before recent improvements are reflected in the longer-term performance rankings and/or fund flows.

Performance issues, and the fact that a number of defined contribution retirement accounts are up for renewal, are likely to result in increased outflows in Q2. Additionally, the sale of the group's Retirement business to Merrill Lynch could result in the loss of some (those requiring a "bundled" retirement service) of the \$13bn of AUM it has sourced for AIM retail.

AIM US (£m)

	Q104	Q204	Q304	Q404	Q105
Revenue	114.0	112.8	107.7	108.5	100.6
Expenses	-70.3	-70.3	-67.3	-69.3	-65.7
Operating profit	43.7	42.6	40.5	39.2	34.9
Opening AUM (\$bn)	149.4	147.6	139.5	132.1	137.6
Investment return	1.9	0.3	-2.9	8.0	-1.8
Net flow	-1.8	-3.5	-3.4	-3.0	-2.9
Other	-1.9	-5.9	-1.1	0.5	-1.9
Closing AUM	147.6	138.5	132.1	137.6	131.0
Average AUM (\$bn)	148.5	143.1	135.8	134.9	134.3
£:\$ rate	1.84	1.81	1.81	1.92	1.89
Closing AUM (£bn)	80.2	76.5	73.0	71.7	69.3
Average AUM	80.7	79.0	75.0	70.2	71.1
Revenue/Avg AUM (%)	0.57	0.57	0.57	0.62	0.57
Expenses/Avg AUM (%)	-0.35	-0.36	-0.36	-0.39	-0.37
Operating profit/Avg AUM (%)	0.22	0.22	0.22	0.22	0.20
Operating profit margin (%)	38.3	37.7	37.6	36.1	34.7

Source Company, Panmure Gordon

Trimark set to benefit from removal of 30% cap on foreign content

AIM Canada: Increasingly important

AIM Trimark accounted for more than a third of Q1 operating profits, and we expect this proportion to rise to almost 40% by 2007E. The removal of the 30% cap on foreign content in Canadian savings (RRSPs) and pension plans in February should be particularly beneficial for global investment specialists such as Trimark (these segments account for around a half of total Canadian mutual fund assets under management).

AIM Canada (£m)

	Q104	Q204	Q304	Q404	Q105
Revenue	41.8	42.9	42.4	47.3	47.1
Expenses	-20.7	-17.9	-18.4	-20.9	-21.0
Operating profit	21.2	24.9	24.0	26.5	26.2
Opening AUM (\$bn)	28.7	30.5	30.8	31.6	34.6
Investment return	1.1	0.5	-0.9	2.0	0.3
Net flow	0.5	0.1	0.1	0.0	0.4
Other	0.2	-0.3	1.6	1.0	0.6
Closing AUM	30.5	30.8	31.6	34.6	35.9
Average AUM (\$bn)	29.6	30.7	31.2	33.1	35.3
£:\$ rate	1.84	1.81	1.81	1.92	1.89
Closing AUM (£bn)	16.6	17.0	17.5	18.0	19.0
Average AUM	16.1	16.9	17.2	17.2	18.7
Revenue/Avg AUM (%)	0.98	0.98	0.98	1.10	0.98
Expenses/Avg AUM (%)	-0.44	-0.44	-0.43	-0.48	-0.44
Operating profit/Avg AUM (%)	0.53	0.59	0.56	0.61	0.56
Operating profit margin (%)	50.6	58.2	56.7	55.9	55.5

Source Company, Panmure Gordon

From Atlanta and Louisville to New York City

INVESCO US: Migrating clients to the Structured Products Group

The INVESCO US division incorporates a number of institutional businesses – the balanced products, fundamental value and global equities units in Atlanta, the fixed income, stable value and core and growth equities units in Louisville, real estate in Dallas and high yield, private capital and structured products units in New York.

The division has suffered from net outflows from its value and growth equities and its balanced products businesses for a number of years, partly the result of

poor relative performance, but also as part of the structural trends away from balanced to specialist management, active to passive mandates, and traditional equities to alternative assets. As a result, management hopes to migrate institutional clients from the Atlanta and Louisville units to the New York-based GSPG, which offers a number of structured equity, enhanced index and alternative asset investment strategies.

Some client losses expected in Q2

While this migration should be positive longer term, the immediate outlook is for some client losses, and we expect most of these to be reflected in increased outflows from INVESCO US in Q2. Around \$10bn of existing AUM is being migrated.

INVESCO US (£m)

	Q104	Q204	Q304	Q404	Q105
Revenue	47.4	42.4	44.7	52.8	50.1
Expenses	-33.8	-33.7	-33.6	-39.0	-38.6
Operating profit	13.6	8.7	11.0	13.8	11.5
Opening AUM (\$bn)	120.2	121.3	119.2	118.0	121.0
Investment return	2.1	0.5	0.1	5.4	-0.9
Net flow	-1.0	-1.6	-1.3	-2.9	-2.0
Other	0.0	0.0	0.0	0.5	-0.1
Closing AUM	121.3	120.2	118.0	121.0	118.0
Average AUM (\$bn)	120.8	120.8	118.6	119.5	119.5
£:\$ rate	1.84	1.81	1.81	1.92	1.89
Closing AUM (£bn)	65.9	66.4	65.2	63.0	62.4
Average AUM	65.6	66.7	65.5	62.2	63.2
Revenue/Avg AUM (%)	0.29	0.25	0.27	0.34	0.32
Expenses/Avg AUM (%)	-0.21	-0.20	-0.21	-0.25	-0.24
Operating profit/Avg AUM (%)	0.08	0.05	0.07	0.09	0.07
Operating profit margin (%)	28.7	20.5	24.6	26.2	23.0

Source Company, Panmure Gordon

INVESCO UK: On the front foot

Good performance and net flows but profitability remains low

Although the division recorded tremendous Q1 net inflows, some \$1.6bn of the \$2.2bn reported was in fact mandates sourced in the UK but managed by the US institutional business. Even so, \$0.6bn of net new, locally managed assets equates to an annualised organic growth rate of around 5%.

INVESCO UK (£m)

	Q104	Q204	Q304	Q404	Q105
Revenue	46.1	47.7	44.2	50.2	52.7
Expenses	-40.6	-41.4	-39.1	-43.2	-45.4
Operating profit	5.5	6.3	5.1	6.9	7.4
Opening AUM (\$bn)	39.0	41.9	43.1	43.3	49.6
Investment return	1.3	0.8	-0.3	3.8	0.8
Net flow	0.3	0.2	0.9	0.1	2.2
Other	1.3	0.2	-0.4	2.4	-1.0
Closing AUM	41.9	43.1	43.3	49.6	51.6
Average AUM (\$bn)	40.5	42.5	43.2	46.5	50.6
£:\$ rate	1.84	1.81	1.81	1.92	1.89
Closing AUM (£bn)	22.8	23.8	23.9	25.8	27.3
Average AUM	22.0	23.5	23.9	24.2	26.8
Revenue/Avg AUM (%)	0.84	0.81	0.74	0.83	0.79
Expenses/Avg AUM (%)	-0.74	-0.70	-0.65	-0.71	-0.68
Operating profit/Avg AUM (%)	0.10	0.11	0.09	0.11	0.11
Operating profit margin (%)	12.0	13.2	11.5	13.8	14.0

Source Company, Panmure Gordon

This success has been partially reflected in improved profitability, with the division's operating profit margin up from 12% in Q1 last year to 14% in the Q1 this year. Rising compensation costs and excessive infrastructure continue to hinder more significant improvements in the division's return on revenues.

Marconi exposure a marginal negative impact on performance?

Looking forward, the fact that assets under INVESCO UK's management owned 22% of Marconi could be an issue for near-term investment performance.

Europe now focussed on distribution; division poised to return to profit in H2

INVESCO Europe/Asia: Restructuring in Europe

The division remained loss making in Q1, with European continuing to be the problem. In total, some £3m of costs and revenues were transferred from Europe to US institutional, following the decision to focus only on distribution in Europe. Product manufacturing is now concentrated primarily in the US and UK. The decision to wind down the German banking activities and the loss of custody revenues has also reduced revenues and profits in Europe. Looking forward, we see significant scope to reduce costs as a result of property disposals and additional infrastructure streamlining.

INVESCO Europe/Asia (£m)

	Q104	Q204	Q304	Q404	Q105
Revenue	19.8	18.7	18.9	20.3	15.9
Expenses	-20.1	-18.3	-17.5	-21.1	-16.6
Operating profit	-0.3	0.5	1.4	-0.7	-0.6
Opening AUM (\$bn)	23.8	25.3	24.5	23.3	24.1
Investment return	0.9	-0.1	0.2	1.0	0.4
Net flow	0.8	-0.5	-1.2	-2.1	-0.2
Other	-0.2	-0.2	-0.2	1.9	-0.4
Closing AUM	25.3	24.5	23.3	24.1	23.9
Average AUM (\$bn)	24.6	24.9	23.9	23.7	24.0
£:\$ rate	1.84	1.81	1.81	1.92	1.89
Closing AUM (£bn)	13.8	13.6	12.9	12.6	12.6
Average AUM	13.3	13.8	13.2	12.3	12.7
Revenue/Avg AUM (%)	0.59	0.54	0.57	0.66	0.50
Expenses/Avg AUM (%)	-0.60	-0.53	-0.53	-0.68	-0.52
Operating profit/Avg AUM (%)	-0.01	0.01	0.04	-0.02	-0.02
Operating profit margin (%)	-1.6	2.6	7.4	-3.5	-4.0

Source Company, Panmure Gordon

Gain on sale of Retirement expected; Private Wealth also set to return to profit

Private Wealth/Retirement: in investment phase/ sold

The division was loss-making in Q1 due to Retirement (which incurred losses of around \$2m-\$3m in the quarter). This business has since been sold in principle to Merrill Lynch and full details of the financials will be disclosed on completion. We expect the sale to result in a gain.

The Private Wealth activities (Atlantic Trust and Stein Rowe) are currently in an investment phase, with new US branch openings being scheduled so as to run the unit at break-even. We expect a return to profit once this roll out is complete, and Private Wealth has gathered a critical mass of assets.

Private Wealth/Retirement (£m)

	Q104	Q204	Q304	Q404	Q105
Revenue	19.2	24.3	23.1	21.3	19.5
Expenses	-20.1	-23.7	-19.8	-21.7	-21.6
Operating profit	-1.0	0.7	3.2	-0.4	-2.1
Opening AUM (\$bn)	9.5	14.8	14.7	14.4	15.2
Investment return	0.0	0.0	-0.3	0.6	-0.2
Net flow	-0.3	-0.1	-0.1	0.3	0.0
Other	5.6	0.0	0.1	-0.1	0.0
Closing AUM	14.8	14.7	14.4	15.2	15.0
Average AUM (\$bn)	12.2	14.8	14.6	14.8	15.1
£:\$ rate	1.84	1.81	1.81	1.92	1.89
Closing AUM (£bn)	8.0	8.1	8.0	7.9	7.9
Average AUM	6.6	8.1	8.0	7.7	8.0
Revenue/Avg AUM (%)	1.16	1.19	1.15	1.10	0.98
Expenses/Avg AUM (%)	-1.22	-1.16	-0.99	-1.13	-1.08
Operating profit/Avg AUM (%)	-0.06	0.03	0.16	-0.02	-0.10
Operating profit margin (%)	-5.1	2.7	14.0	-1.9	-10.6

Source Company, Panmure Gordon

No guarantee that future claims will be successful; potential for negative earnings surprise

Corporate: Legal expenses insurance recovers an issue

Q1 central costs amounted to £8.4m, but were aided by a around £6m insurance recovery on legal costs. Going forward, management will continue to claim for the near £5m of legal costs incurred per quarter but cannot guarantee that it will continue to be successful. The potential therefore exists for a negative earnings surprise.

Corporate (£m)

	Q104	Q204	Q304	Q404	Q105
Expenses	-8.5	-7.0	-12.3	-13.5	-8.4

Source Company, Panmure Gordon

Marginally reduced estimates reflecting Q1 outcome, IFRS and Q2 flow guidance

FORECASTS

We have revised our forecasts marginally, reflecting (a) the reported results for Q1 2005, (b) the shift to IFRS, (which has marginally changed some of our revenue and cost margin assumptions (due to option expensing, income and cost recognition differences), and (c) new guidance regarding Q2 flows.

Our revised estimates are summarised below. (Full details of our forecasts are set out in The Numbers section of this note.)

Revised forecasts (£m)

Year to Dec	2005E			2006E			2007E		
	Old	New	Ch (%)	Old	New	Ch (%)	Old	New	Ch (%)
Income	1223	1198	-2	1328	1286	-3	1471	1429	-3
Expenses	-932	-906	-3	-1007	-971	-4	-1109	-1075	-3
Operating profit	291	293	1	321	315	-2	362	354	-2
Core PBT	267	261	-2	306	295	-4	355	345	-3
EPS (p)	21.3	21.2	-1	24.5	24.0	-2	28.4	28.0	-1

Source Panmure Gordon

VALUATION

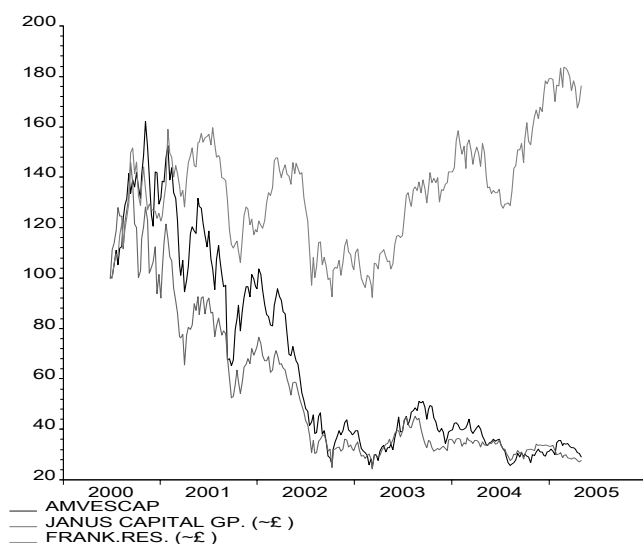
Sum-of-the-parts relative valuation suggests current fair value of about 410p per share; supported by DCF analysis

Our valuation for AMVESCAP, using Janus and Schroders as proxies for the AIM and INVESCO divisions, suggests a current fair value of around 410p per share. To complement this relative valuation, we have calculated a range of absolute valuations based on discounted free cash flows. Our central case suggests a fair absolute value of approximately 420p.

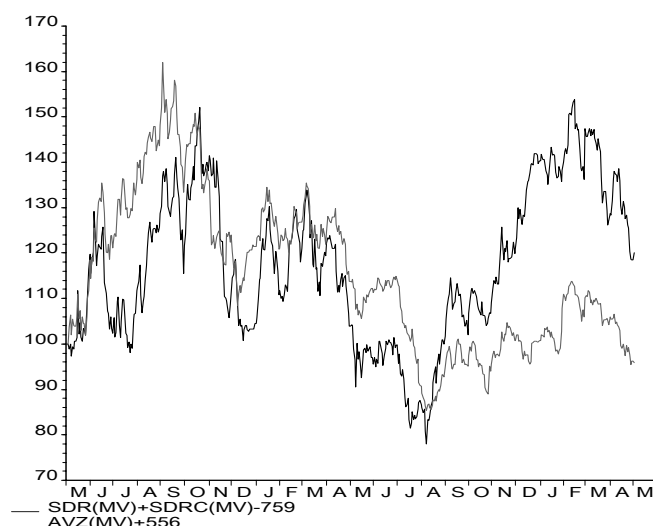
RELATIVE PRICE PERFORMANCE

The charts below update two charts contained within our initiation of coverage note on AMVESCAP dated 1 March. These show that: (i) over the past five years, AMVESCAP and Janus have performed broadly in line with one another (in constant currency terms), substantially underperforming another US-quoted asset manager Franklin Resources over the same period; (ii) adjusted for net debt/cash, AMVESCAP and Schroders tracked one another closely until the announcement of AMVESCAP's mutual fund settlement in the US in early September last year.

AMVESCAP and US-quoted peers



AMVESCAP and Schroders – EV performances



Source Datastream

Janus and Schroders are good proxies for AIM and INVESCO divisions

We reproduce these charts as a reminder of the rationale for choosing Janus and Schroders (ex-cash) as valuation proxies for the AIM and INVESCO divisions within AMVESCAP in our sum-of-the-two-parts.

RELATIVE VALUATION: SUM-OF-THE-TWO-PARTS

As outlined in detail in our initiation note, we "demerge" AMVESCAP into its two main divisions – (i) the AIM branded US and Canadian mutual fund businesses (two style-complementary, predominantly retail, third-party distributed fund complexes) and (ii) the INVESCO-branded US institutional and non-US activities, and the group's Atlantic Trust Private Wealth business.

AIM & INVESCO parts

The following tables set out aggregated AIM and INVESCO divisions after apportioning central costs and group net debt. It is interesting to note that following the Q1 figures, we now forecast almost identical revenues from each division this year (£600m and £599m respectively). However, because of their differing cost structure, we are forecasting pre-central expenses at AIM some 24% lower than at INVESCO (£355m and £467m respectively). Although our forecasts do not factor in substantial cost savings, our longer-term investment

thesis revolves around the potential for significantly improved profitability from the INVESCO businesses.

AIM (US & Canada) (£m)

Year to December	2003A	2004A	2005E	2006E	2007E
Revenue	646.5	617.5	599.5	633.3	701.2
Operating expenses	-378.3	-355.0	-349.0	-366.1	-404.4
Share of central costs	-12.5	-19.1	-23.0	-24.2	-25.4
Operating profit	255.6	243.4	227.5	243.0	271.4
Net interest	-40.5	-28.8	-31.5	-19.6	-8.9
Core PBT	215.1	214.6	196.0	223.4	262.5
Opening AUM (\$bn)	146.6	179.8	172.2	172.4	188.1
Investment return	23.9	10.0	7.2	13.8	15.1
Net flow	-5.4	-11.7	-7.0	1.9	6.5
Other	12.2	-5.9	0.0	0.0	0.0
Closing AUM	178.1	172.2	172.4	188.1	209.7
Average AUM (\$bn)	164.6	171.7	172.3	180.3	198.9
£:\$ rate	1.78	1.92	1.90	1.90	1.90
Closing AUM (£bn)	100.0	89.7	90.8	99.0	110.4
Average AUM	96.1	92.2	90.7	94.9	104.7
Revenue/Avg AUM (%)	0.67	0.67	0.66	0.67	0.67
Expenses/Avg AUM (%)	-0.39	-0.39	-0.38	-0.39	-0.39
Operating profit/Avg AUM (%)	0.27	0.26	0.25	0.26	0.26
Operating profit margin (%)	39.5	39.4	37.9	38.4	38.7

Source Company, Panmure Gordon

INVESCO (incl. PW/Retirement) (£m)

Year to December	2003A	2004A	2005E	2006E	2007E
Revenue	511.6	540.9	598.7	652.9	727.4
Operating expenses	-443.9	-466.6	-510.6	-557.0	-619.6
Share of central costs	-12.5	-19.1	-23.0	-24.2	-25.4
Operating profit	55.2	55.3	65.1	71.8	82.3
Net interest	0.0	0.0	0.0	0.0	0.0
Core PBT	55.2	55.3	65.1	71.8	82.3
Opening AUM (\$bn)	186.0	190.8	209.9	218.4	239.6
Investment return	21.5	16.0	10.5	17.5	19.2
Net flow	-5.2	-7.8	-2.0	3.8	6.8
Other	-9.0	10.9	0.0	0.0	0.0
Closing AUM	192.5	209.9	218.4	239.6	265.6
Average AUM (\$bn)	176.2	199.6	214.1	229.0	252.6
£:\$ rate	1.78	1.92	1.90	1.90	1.90
Closing AUM (£bn)	108.2	109.3	114.9	126.1	139.8
Average AUM	108.3	110.1	112.7	120.5	132.9
Revenue/Avg AUM (%)	0.47	0.49	0.53	0.54	0.55
Expenses/Avg AUM (%)	-0.41	-0.42	-0.45	-0.46	-0.47
Operating profit/Avg AUM (%)	0.05	0.05	0.06	0.06	0.06
Operating profit margin (%)	10.8	10.2	10.9	11.0	11.3

Source Company, Panmure Gordon

Janus: the AIM proxy

Janus Q1 results came with reduced full year guidance

In the table below we show current consensus estimates for Janus following its Q1 results announcement. The announcement itself told of £1.9bn of outflows during Q1, which included \$3.9bn of net outflows from Janus-branded products (ie excluding flows into quantitative Enhanced Investment Technologies (INTECH) products), and which warned of a previously disclosed redemption of \$2.2bn which will occur during Q2. As a result of these flows and worse than expected market returns, management commented that previous guidance for full

year, "Adjusted EPS" of \$0.55-\$0.60 per share, is now unlikely. Consensus 2005 EPS estimates have since been reduced to \$0.47 per share.

Rating comparison – Janus (\$13.61) & AMVESCAP (307p)

Year to December	2005E	2006E	2007E
Janus			
Consensus EPS (\$)	0.465	0.602	0.880
PER (x)	29.3	22.6	15.5
AMVESCAP			
Consensus EPS (p)	20.0	23.0	26.0
PER (x)	15.3	13.3	11.8

Source Reuters

Although we use the rating US investors afford to Janus to value the AIM businesses rather than the group, we nevertheless note AMVESCAP's significant PER discount to Janus (still a 24% discount in 2007E).

Schroders: the INVESCO proxy

Schroders AM enterprise value has declined by more than 20% since 1 March

The following table calculates PER multiples for the Schroders asset management enterprise for use as a proxy for the INVESCO businesses. We exclude £759m of "cash" (cash plus investments) from the combined market value of Schroders' voting and non-voting shares to derive an enterprise value for asset management, and exclude group central costs in calculating asset management net operating profit after tax (NOPAT).

Schroders (689p and 637p) – "Ex-cash" asset management valuation

	2004A	2005E	2006E	2007E
Asset management EV*	1227	1227	1227	1227
Asset management revenues	491.0	527.8	567.3	612.8
Asset management NOPAT**	57.4	66.4	76.8	89.6
EV/revenues	2.5	2.3	2.1	2.0
EV/NOPAT	21.7	18.8	16.2	13.9

*MV £1,986m less £759m "cash"; **Net of central costs

Source Company, Panmure Gordon

As with Janus, we do not specifically use Schroders as a valuation proxy for the AMVESCAP group; however, we similarly note the valuation discount (still 15% by 2007E).

Sum-of-the-parts – 410p per share

The sum-of-the-parts set out below applies our 2007E Janus and Schroders proxy multiples to our 2007E earnings estimates for AIM and INVESCO divisions (as we define them).

Sum of the parts (£m)

Year to Dec 2007E	PBT	Tax rate	Tax	PAT	P/E	Val £m	Val p	% Val
AIM	262.5	38%	-98.4	164.4	15.5	2543.1	314.0	76%
INVESCO	82.3	30%	-24.7	57.98	13.9	805.4	99.4	24%
Total	344.8	36%	-123.1	228.8	15.1	3348.5	413.4	100%

Source Panmure Gordon

The result (essentially an earnings weighted average of the two proxy multiples applied to our 2007E earnings estimate for the AMVESCAP group) indicates a current fair value of 413p per share. That this is lower than the 458p derived in our initiation note and reflects the fall in the value of the two proxies since then, and highlights the dynamic nature of this relative valuation.

Central case DCF valuation supports relative SOTP approach

ABSOLUTE VALUATION: DCF ANALYSIS

Given that the above sum-of-the-parts fair value estimate will change with movements in the Janus and/or Schroders share prices, we also estimate absolute fair values based on DCF analysis. We set out our central case below.

Central case DCF valuation – 420p per share

The valuation below is based on our existing forecasts (and hence returns on average AUM – RoAUM) out to 2007E, an 8% long-term AUM growth rate, and cash flows discounted at 9% per annum.

DCF analysis – central case fair value estimate (£m)

Steady state AUM growth	8.00%													
Steady state RoAUM	0.100%													
Discount rate	9%													
Terminal multiple	11.1													
Year to December	2005E	2006E	2007E	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Terminal
Average AUM (£bn)	203	215	238	257	277	299	323	349	377	407	440	475	513	513
Avg AUM growth (%)	1	6	10	8	8	8	8	8	8	8	8	8	8	
Operating profit	293	315	354											
less tax	-102	-110	-124											
Free cash flow	190	205	230	257	277	299	323	349	377	407	440	475	513	5701
ROAUM (%)	0.093	0.095	0.097	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	
PV (free cash flow)	190	172	178	182	180	179	177	175	174	172	170	169	167	1706
NPV (free cash flow)	3975													
NPV/share	490													
Asset Management	£m	p												
Enterprise (DCF)	3975	490												
Group net debt	-556	-68												
TOTAL	3419	421												

Source Panmure Gordon

The analysis indicates a fair value for the enterprise of £3,975m, and a fair market value of £3,419m or around 420p per share.

DCF analysis – steady state AUM growth implied by current share price

Implied AUM growth	3.25%													
Steady state RoAUM	0.100%													
Discount rate	9%													
Terminal multiple	11.1													
Year to December	2005E	2006E	2007E	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Terminal
Average AUM	203	215	238	245	253	262	270	279	288	297	307	317	327	327
Avg AUM growth (%)	1	6	10	3	3	3	3	3	3	3	3	3	3	
Operating profit	293	315	354											
less tax	-102	-110	-124											
Free cash flow	190	205	230	245	253	262	270	279	288	297	307	317	327	3636
ROAUM (%)	0.093	0.095	0.097	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	
PV (free cash flow)	190	172	178	174	165	156	148	140	133	126	119	113	107	1088
NPV (free cash flow)	2991													
NPV/share	368													
Asset Management	£m	p												
Enterprise (DCF)	2991	368												
Group net debt	-556	-68												
TOTAL	2435	300												

Source Panmure Gordon

Implied long-term AUM growth only 3.25% per annum

Given the subjectivity of our long-term AUM growth assumption, we have reworked the analysis to derive the AUM growth rate implied by a 300p per share price. The result is a growth rate of only 3.25% per annum, which being lower than most long-term nominal GDP/GNP growth forecasts, seems to factor in long-term net outflows and/or below average investment returns.

Since DCF sensitive to growth, margin and discount rate assumptions, we have looked at various alternative scenarios

Scenario analysis – alternative growth, margin and discount rates

Given the additional subjectivities of the DCF approach – the results are highly sensitive to the discount rate used and the longer-term RoAUM used, we set out multiple alternative scenarios in the following three tables. The first uses our base case RoAUM of 0.1% together with a range of discount rates and longer-term AUM growth rates. The second and third assume lower and higher sustainable RoAUM assumptions – 0.09% and 0.11% respectively – together with the same discount rates and longer-term AUM growth rates.

DCF valuation scenarios: central case 0.10% long-term RoAUM (p)

Discount rate	AUM growth						
	3%	4%	5%	6%	7%	8%	9%
7%	411	444	478	516	556	600	647
8%	345	372	400	430	463	499	537
9%	295	316	340	365	392	421	452
10%	254	273	292	313	336	360	387
11%	222	237	254	272	291	312	334
12%	195	208	223	238	254	272	291
13%	173	184	196	210	224	239	255

Source Panmure Gordon

DCF valuation scenarios: reduced 0.09% long-term RoAUM (p)

Discount rate	AUM growth						
	3%	4%	5%	6%	7%	8%	9%
7%	370	399	430	464	501	540	582
8%	311	334	360	387	417	448	483
9%	265	284	305	328	352	379	407
10%	228	245	263	282	302	324	347
11%	199	213	228	244	261	280	300
12%	175	187	200	213	228	244	261
13%	154	165	176	188	201	214	229

Source Panmure Gordon

DCF valuation scenarios: 0.11% long-term RoAUM (p)

Discount rate	AUM growth						
	3%	4%	5%	6%	7%	8%	9%
7%	453	488	526	568	612	660	712
8%	380	409	440	474	510	549	591
9%	324	348	374	402	432	464	498
10%	280	300	322	345	370	397	426
11%	245	262	280	300	321	343	368
12%	215	230	246	262	280	300	321
13%	191	203	217	231	247	264	282

Source Panmure Gordon

The shaded areas in each matrix highlight fair values in excess of the current share price. We conclude that the shares appear undervalued as long as we are willing to assume discount rates of less than 10%, AUM growth rates in excess of 5%, and the RoAUM stabilising at 0.1% by 2008E.

2005E represents a year of restructuring and rebuilding: we forecast a return to growth in 2006

£250m-£270m equity cash flows available to pay dividends and/or retire debt

Capital adequacy: negative net tangible assets still potentially an issue

Rising returns on equity and average AUM

THE NUMBERS

Profit & loss (£m)

Year to December	2004A	2005E	2006E	2007E
Total operating income	1158.5	1198.1	1286.2	1428.5
Operating expenses	-859.8	-905.6	-971.4	-1074.7
Operating profit	298.7	292.6	314.8	353.8
Interest/investment income	-28.8	-31.5	-19.6	-8.9
Core PBT	269.8	261.1	295.2	344.8
Exceptional items	-249.7	0.0	0.0	0.0
Goodwill amortisation	-157.8	0.0	0.0	0.0
Profit before tax	-137.7	261.1	295.2	344.8
Tax	-35.3	-91.4	-103.3	-120.7
Attributable profit	-173.3	169.7	191.9	224.1
Dividends	-61.9	-92.1	-92.1	-92.1
Retained profit	-235.2	77.6	99.7	132.0
Per share data				
Average shares (m)	808.3	801.0	801.0	801.0
End-period shares (m)	812.0	801.0	801.0	801.0
Reported EPS (p)	-21.4	21.2	24.0	28.0
Adjusted EPS (p)	21.7	21.2	24.0	28.0
DPS (p)	7.5	11.5	11.5	11.5

Summary cash flows (£m)

Year to December	2004A	2005E	2006E	2007E
Operating profit	298.7	292.6	314.8	353.8
Depreciation	45.6	47.0	48.4	49.8
Gross cash flow / EBITDA	344.3	339.5	363.1	403.6
Capex	-27.6	-28.4	-29.3	-30.2
Operating cash flow	316.7	311.1	333.9	373.4
Tax	-57.2	-35.3	-91.4	-103.3
Equity cash flow	259.5	275.8	242.5	270.1
Equity dividends	-78.8	-61.9	-92.1	-92.1
Net cash flow	180.6	213.9	150.4	178.0
Opening cash	-576.6	-590.9	-377.0	-226.7
Net cash flow	-14.3	213.9	150.4	178.0
Closing cash	-590.9	-377.0	-226.7	-48.6
Average cash	-583.8	-484.0	-301.8	-137.7
Interest yield/cost	5.5%	6.5%	6.5%	6.5%
Interest income/expense	-34.3	-31.5	-19.6	-8.9

Summary balance sheet (£m)

Year to December	2004A	2005E	2006E	2007E
Avg AUM	202.3	203.4	215.4	237.6
Assets	3908.1	3985.7	4085.4	4217.5
Assets under management	199.0	205.7	225.1	250.1
Equity	1833.4	1911.0	2010.8	2142.8
Intangible assets	2303.4	2303.4	2303.4	2303.4
Tangible equity	-451.0	-392.4	-292.6	-160.6

Ratios (%)

Year to December	2004A	2005E	2006E	2007E
Total income:avg AUM (bps)	57	59	60	60
Expenses:avg AUM (bps)	42	45	45	45
Cost:income ratio	-74.2	-75.6	-75.5	-75.2
ROE	9.0	9.1	9.8	10.8
RoAvg AUM (bps)	8.7	8.3	8.9	9.4
Effective tax rate	-13.1	-35.0	-35.0	-35.0

Source Company, Panmure Gordon

DIVISIONS

Modest recovery forecast for AIM US
in 2006 ...

... before a return to net inflows in 2007

Continue strong growth forecast
for Canada ...

... based on strong net inflows

... and maintained margins

We forecast recovery during H2 2005,
reflected in net inflows by 2007

AIM US (£m)

Year to December	2004A	2005E	2006E	2007E
Revenue	443.1	407.6	418.4	458.4
Expenses	-277.2	-264.6	-271.6	-297.6
Operating profit	165.9	143.0	146.8	160.8
Opening AUM (\$bn)	151.1	137.6	134.1	144.8
Investment return	7.3	5.5	10.7	11.6
Net flow	-12.4	-9.0	0.0	4.3
Other	-8.4	0.0	0.0	0.0
Closing AUM	137.6	134.1	144.8	160.8
Average AUM (\$bn)	140.6	135.9	139.5	152.8
£:\$ rate	1.92	1.90	1.90	1.90
Closing AUM (£bn)	71.7	70.6	76.2	84.6
Average AUM	75.5	71.5	73.4	80.4
Revenue/Avg AUM (%)	0.59	0.57	0.57	0.57
Expenses/Avg AUM (%)	-0.37	-0.37	-0.37	-0.37
Operating profit/Avg AUM (%)	0.22	0.20	0.20	0.20
Operating profit margin (%)	37.4	35.1	35.1	35.1

AIM Canada (£m)

Year to December	2004A	2005E	2006E	2007E
Revenue	174.4	191.9	214.8	242.8
Expenses	-77.8	-84.4	-94.5	-106.8
Operating profit	96.6	107.5	120.3	136.0
Opening AUM (\$bn)	28.7	34.6	38.3	43.3
Investment return	2.7	1.7	3.1	3.5
Net flow	0.7	2.0	1.9	2.2
Other	2.5	0.0	0.0	0.0
Closing AUM	34.6	38.3	43.3	48.9
Average AUM (\$bn)	31.1	36.5	40.8	46.1
£:\$ rate	1.92	1.90	1.90	1.90
Closing AUM (£bn)	18.0	20.2	22.8	25.8
Average AUM	16.7	19.2	21.5	24.3
Revenue/Avg AUM (%)	1.05	1.00	1.00	1.00
Expenses/Avg AUM (%)	-0.47	-0.44	-0.44	-0.44
Operating profit/Avg AUM (%)	0.58	0.56	0.56	0.56
Operating profit margin (%)	55.4	56.0	56.0	56.0

INVESCO US (£m)

Year to December	2004A	2005E	2006E	2007E
Revenue	187.2	202.8	209.9	228.9
Expenses	-140.1	-152.1	-157.4	-171.7
Operating profit	47.1	50.7	52.5	57.2
Opening AUM (\$bn)	118.5	121.0	119.8	129.4
Investment return	8.1	4.8	9.6	10.4
Net flow	-6.1	-6.0	0.0	2.6
Other	0.5	0.0	0.0	0.0
Closing AUM	121.0	119.8	129.4	142.4
Average AUM (\$bn)	119.9	120.4	124.6	135.9
£:\$ rate	1.92	1.90	1.90	1.90
Closing AUM (£bn)	63.0	63.1	68.1	74.9
Average AUM	64.4	63.4	65.6	71.5
Revenue/Avg AUM (%)	0.29	0.32	0.32	0.32
Expenses/Avg AUM (%)	-0.22	-0.24	-0.24	-0.24
Operating profit/Avg AUM (%)	0.07	0.08	0.08	0.08
Operating profit margin (%)	25.2	25.0	25.0	25.0

Source Company, Panmure Gordon

Our forecasts for the UK factor in continued net inflows ...

INVESCO UK (£m)

Year to December	2004A	2005E	2006E	2007E
Revenue	188.1	219.7	248.3	280.6
Expenses	-164.3	-189.1	-213.8	-241.5
Operating profit	23.8	30.6	34.6	39.1
Opening AUM (\$bn)	39.0	49.6	56.1	63.4
Investment return	5.6	2.5	4.5	5.1
Net flow	1.5	4.0	2.8	3.2
Other	3.5	0.0	0.0	0.0
Closing AUM	49.6	56.1	63.4	71.6
Average AUM (\$bn)	43.2	52.8	59.7	67.5
£:\$ rate	1.92	1.90	1.90	1.90
Closing AUM (£bn)	25.8	29.5	33.4	37.7
Average AUM	23.1	27.8	31.4	35.5
Revenue/Avg AUM (%)	0.81	0.79	0.79	0.79
Expenses/Avg AUM (%)	-0.71	-0.68	-0.68	-0.68
Operating profit/Avg AUM (%)	0.10	0.11	0.11	0.11
Operating profit margin (%)	12.7	13.9	13.9	13.9

... but no improvement in profitability

For Europe/Asia we are assuming the benefits of restructuring this year are reflected in 2006

INVESCO Europe/Asia (£m)

Year to December	2004A	2005E	2006E	2007E
Revenue	77.8	80.5	88.3	96.9
Expenses	-76.9	-77.8	-84.1	-90.8
Operating profit	0.8	2.6	4.3	6.2
Opening AUM (\$bn)	23.8	24.1	26.0	28.1
Investment return	2.0	1.9	2.1	2.2
Net flow	-3.0	0.0	0.0	0.0
Other	1.3	0.0	0.0	0.0
Closing AUM	24.1	26.0	28.1	30.4
Average AUM (\$bn)	24.3	25.1	27.1	29.2
£:\$ rate	1.92	1.90	1.90	1.90
Closing AUM (£bn)	12.6	13.7	14.8	16.0
Average AUM	13.1	13.2	14.2	15.4
Revenue/Avg AUM (%)	0.60	0.61	0.62	0.63
Expenses/Avg AUM (%)	-0.59	-0.59	-0.59	-0.59
Operating profit/Avg AUM (%)	0.01	0.02	0.03	0.04
Operating profit margin (%)	1.1	3.3	4.8	6.3

But we still forecast low profitability out to 2007

Private Wealth/Retirement (£m)

Year to December	2004A	2005E	2006E	2007E
Revenue	87.8	95.7	106.4	120.9
Expenses	-85.3	-91.5	-101.7	-115.7
Operating profit	2.5	4.2	4.6	5.3
Opening AUM (\$bn)	9.5	15.2	16.4	18.7
Investment return	0.3	1.2	1.3	1.5
Net flow	-0.2	0.0	1.0	1.0
Other	5.6	0.0	0.0	0.0
Closing AUM	15.2	16.4	18.7	21.2
Average AUM (\$bn)	14.1	15.8	17.6	20.0
£:\$ rate	1.92	1.90	1.90	1.90
Closing AUM (£bn)	7.9	8.6	9.9	11.2
Average AUM	7.5	8.3	9.2	10.5
Revenue/Avg AUM (%)	1.17	1.15	1.15	1.15
Expenses/Avg AUM (%)	-1.13	-1.10	-1.10	-1.10
Operating profit/Avg AUM (%)	0.03	0.05	0.05	0.05
Operating profit margin (%)	2.9	4.3	4.3	4.3

Source Company, Panmure Gordon

Corporate (£m)

Year to December	2004A	2005E	2006E	2007E
Expenses	-38.2	-46.0	-48.3	-50.7

AMVESCAP Group (£m)

Year to December	2004A	2005E	2006E	2007E
Revenue	1158.5	1198.1	1286.2	1428.5
Expenses	-859.8	-905.6	-971.4	-1074.7
Operating profit	298.7	292.6	314.8	353.8
Opening AUM (\$bn)	370.6	382.1	390.8	427.8
Investment return	26.0	17.7	31.3	34.2
Net flow	-19.5	-9.0	5.7	13.3
Other	5.0	0.0	0.0	0.0
Closing AUM	382.1	390.8	427.8	475.3
Average AUM (\$bn)	371.3	386.4	409.3	451.5
£:\$ rate	1.92	1.90	1.90	1.90
Closing AUM (£bn)	199.0	205.7	225.1	250.1
Average AUM	202.3	203.4	215.4	237.6
Revenue/Avg AUM (%)	0.573	0.59	0.60	0.60
Expenses/Avg AUM (%)	-0.425	-0.45	-0.45	-0.45
Operating profit/Avg AUM (%)	0.15	0.14	0.15	0.15
Operating profit margin (%)	25.8	24.4	24.5	24.8

Source Company, Panmure Gordon

Distribution of investment ratings for equity research (as of 31 March 05)

Overall Global Distribution (Banking Client*)

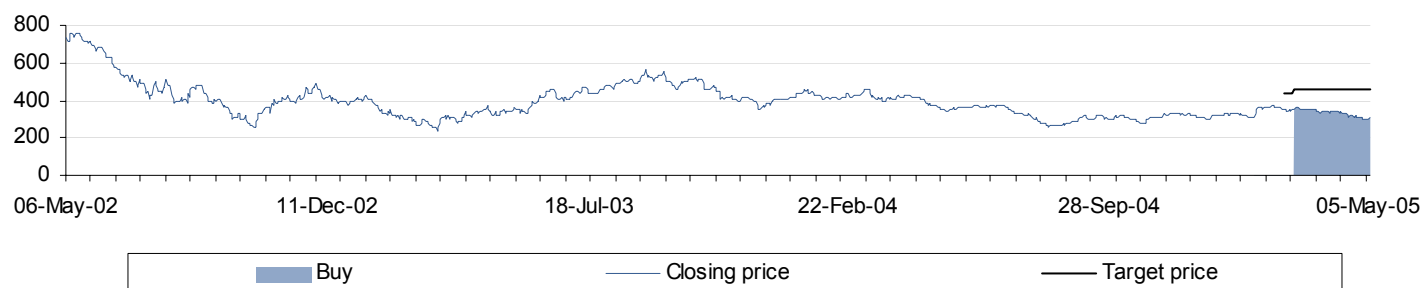
Buy	Hold	Sell
46% (29%)	38% (11%)	16% (3%)

* Indicates the percentage of each category in the overall distribution that were banking and/or corporate broking clients

Rating: GUIDELINE (return targets may be modified by risk or liquidity issues)

Buy	Expected to produce a total return of 15% or better in the next 12 months
Hold	Fairly valued: total return in the next 12 months expected to be $\pm 10\%$
Sell	Stock is expected to decline by 10% or more in the next 12 months

AMVESCAP



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10 May 2005

Equity Research

COMPANY PROFILE

Business Profile

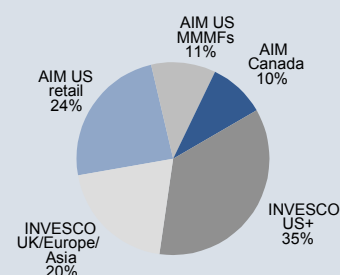
AMVESCAP is one of the world's largest quoted independent fund managers, with assets under management of around £200bn (\$375bn). It operates in all of the world's major savings markets, virtually all of the asset classes, products and investment styles, and most of the distribution channels. It operated primarily through the AIM and INVESCO brands, and has a significant presence in both institutional and retail segments of the investment management industry in North America, Europe and Asia-Pacific.

Recent News

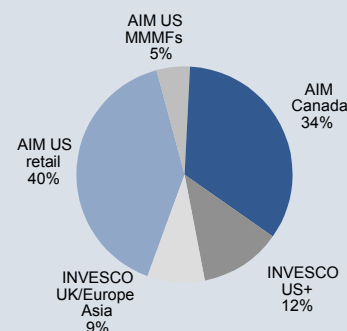
AMVESCAP announce results for the Q1 2005 on 26 April. Profit before tax (reported under IFRS for the first time) amounted to £59.1m, which compared with like-for-like profits of £67.2m in Q1 2004. Diluted EPS amounted to 4.7p as compared with 5.9p and 5.1p for Q1 and Q4 2004 respectively. Net fund outflows totalled \$2.5bn during the quarter, with strong inflows in Canada and the UK partially offsetting continued outflows in the US.

On 21 April, it was announced that Merrill Lynch had agreed to purchase the group's defined contribution record-keeping business, AMVESCAP Retirement, for an undisclosed sum (financial details will be published on completion).

AUM by division* (%)



Profit by division* (%)



*Q1 2005 +incl PW/Retirement

Source Company

Company Information

Company	AMVESCAP
Address	30 Finsbury Square, London, EC2A 1AG
Tel no	44 20 7638 0731
Website	www.amvescap.com
Chairman	Charles Brady
Chief Executive	Charles Brady
Finance Director	James Robertson
IR Officer	Michael Perman

Major Shareholders (%)

Franklin Templeton	9.01
AIC Investments	3.61
Gary Crum	3.65
Robert Graham	3.34
Morley Fund Management	3.08

Financial Diary

Next Statement	June/July – New CEO
Next Results	28 July – Q2 / Interim results
Next ex dividend	7 Sept – Interim dividend

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