

The Financial Times
Tuesday 2nd August 2005
By Sundeep Tucker

CI prepared to go hostile on Amvescap

CI Financial, the Canadian fund manager that recently had a for Amvescap rebuffed, last night signalled it was prepared to go US group continued to refuse to talk about a possible tie-up.

The CI Financial statement, issued after the market closed, came as Martin Flanagan, the new chief executive of Amvescap, moved to damp speculation that the company was a bid target.

On his first day in the post, Mr Flanagan appeared to rule out the sale of Amvescap or any of its worldwide subsidiaries as “that would run counter to what I will be trying to achieve.”

Last month it emerged that Amvescap had rejected an offer to sell Aim Trimark, its highly profitable Canadian subsidiary, to CI Financial as “it was not in the best interests of shareholders.”

CI Financial added that it had made an informal offer for the entire group – at a “significant” premium to the share price – that Amvescap also rejected.

Yesterday’s CI Financial statement said: “We...have not ruled out....making an offer for Amvescap without the recommendation of its board.”

CI Financial has hired [Fenchurch Advisory](#), a boutique investment bank, and Freshfields, the law firm, to work on a possible bid for all or part of Amvescap. News of the hirings propelled Amvescap shares 14.5p higher to 427p, valuing the fund manager at £3.47bn.

Analysts believe that Sun Life Financial – the North American insurance group that owns 34 per cent of CI Financial – could help finance a bid for Amvescap.

However, Mr Flanagan, who joined from Franklin Templeton, said that his aim was for Amvescap to grow organically and through acquisitions, while improving efficiency and raising profits. Mr Flanagan said that his immediate priority was to “create positive momentum.” He added: “Excitement will help bring success, which will make the negative feelings go away.”

He is expected to be questioned about strategy when he unveils second-quarter results to analysts in London today.

Amvescap has operating margins of 5 per cent, about 10 percentage points less than the average achieved by US rivals.

With \$382 bn (£216bn) of funds under management, Amvescap last September agreed a \$450m settlement with US regulators of a mutual trading scandal.