

Lighthouse Group PLC

Press Release

12 June 2007

Lighthouse Group plc
("Lighthouse" or "the Group")

Lighthouse launches client Risk Matching Initiative

Lighthouse Group plc (AIM:LGT), one of the UK's largest Independent Financial Adviser groups and pension scheme administrators, today announces the immediate launch of a major new Client Risk Matching Initiative for IFAs and their clients.

Highlights

- The pioneering use of a psychometric fact finding process means that the resulting asset allocation for clients is most appropriately and intimately matched with their attitude to risk
- Dynamic risk profiling updated quarterly to ensure the continued suitability of the client's investments
- A directly linked unfettered fund of funds to match asset class volatility with marginal outperformance on a regular basis in order to produce consistent returns for the client over the long term
- By using this system both IFAs and Lighthouse Group plc centrally will be able to more easily monitor and influence the assets that are recommended to clients

Malcolm Streatfield, Chief Executive of Lighthouse, said: "Lighthouse is one of the first leading financial adviser groups to make this system available to IFAs, and is at the forefront of this advance in risk profiling. The process is extremely compliant and auditable. Using the fact finding process together with the unfettered fund of funds readily evidences that clients are being fairly and professionally treated."

Risk Matching Initiative detail

The initiative means that Lighthouse is now in a position to offer its advisers a psychometric fact finding process, designed by Distribution Technology Ltd, which uses behavioural finance principles to create a client risk rating. This is then replicated by an investment with precisely the same risk profile in terms of targeted volatility on an ongoing, quarterly updated, basis.

The underlying investments are a range of unfettered fund of funds recently launched by F&C Management Ltd (F&C) under the "Lifestyle" banner. This is the only offering of its kind currently available in the UK to provide an automated asset mix tailored to fit the risk profiles of specific categories of investor as determined by the fact finding process.

Within the asset allocation, the fund selection utilises the F&C multi-manager department under Richard Philbin and their in-house "Traffic Light Analysis System". The aim is to match asset class

volatility with marginal out performance on a regular basis, which should produce consistent returns over the long term.

In addition, the performance of the funds will be monitored on a regular basis against agreed benchmarks by Andy Gadd, Head of Research at Lighthouse. This provides an added degree of reassurance for the IFAs and ultimately their clients.

As part of the arrangements, F&C will provide logistical support for Lighthouse and its IFAs in applying this Risk Matching Initiative to existing and new clients.

IFA/Client Relationship

With the retail financial industry moving increasingly towards long term client relationships, matching risk with asset allocation and stock selection is more important than ever. Risk rating is vitally important and the benefits of getting it right are very significant.

From the client's perspective there is the opportunity to avoid unwanted investment experiences which are either too risky, or indeed "too conservative" where investors take an inappropriate "low risk" investment strategy at the risk of significant opportunity cost.

Andy Gadd, Head of Research at Lighthouse said: "Eventually even initially well constructed, balanced portfolios with the right asset allocation and a good choice of funds can drift over time into a shape that no longer meets that client's objectives or risk profile. When combined with the need to monitor in excess of 2,200 authorised retail funds it is becoming increasingly difficult for advisers to ensure the initial suitability of fund choice and then the continued suitability for each client.

This new initiative therefore marks a major step forward in terms of matching client risk and asset allocation and stock selection. Lighthouse advisers will also be able to more easily show that the advice they give to clients is compliant and that they are treating customers fairly."

- Ends -

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Notes to Editors

About Lighthouse Group

The Lighthouse Group plc is one of the UK's largest Independent Financial Adviser groups and pension scheme administrators.

The Company provides support to close to 600 IFAs across the UK who, in turn, provide fully independent financial planning advice to both private and corporate clients. The Company has in excess of £5 billion worth of funds under influence.

Based in five main operational centres, in London, Manchester, Brighton, Exeter and Reading, the Company has grown rapidly through both organic growth and key acquisitions since being admitted to AIM in October 2000.

About F&C

The F&C Asset Management Group (F&C) is a London Stock Exchange listed pan-European asset manager. Friends Provident, the FTSE 100 insurance group, is F&C's majority shareholder. F&C manages £102.7 billion (as at 31 March 2007) for a diverse range of institutional, insurance and retail clients. F&C has offices in eight countries: France, Germany, Ireland, The Netherlands, Portugal, Switzerland, UK and United States. F&C has a major presence in the UK retail market with strength in corporate bonds, UK and European equities, multi-manager and ethical funds. F&C is a leading force in the UK investment trust industry with the flagship Foreign & Colonial Investment Trust being the first such trust, launched in 1868. The company is also a pioneer in socially responsible investment having launched the UK's first ever retail ethical fund, the Stewardship Growth Fund, in 1984.

For further information on F&C Management Ltd, please contact Karolina Adamkiewicz on 020 7011 5011, or karolina.adamkiewicz@fandc.com.

About Distribution Technology

Distribution Technology is the leading provider of advice technology in the UK, working with over twenty five of the country's leading banks, life and pension companies, wealth managers, platforms and building societies. The team at Distribution Technology wholeheartedly believe in the advice process, that's why they develop exceptional, tailored solutions to dramatically enhance the profitability and compliance of advised distribution.

For further information on Distribution Technology, please contact Ursula Delaney or Sam Holl at Teamspirit PR on 020 7438 9400.