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Press Release

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Active Return Fund exceeds target during first year: value added by all core derivative strategies

F&C Active Return Fund, an open-ended mutual fund launched in October 2008 to make some of the derivative investment strategies successfully employed by the F&C Alternative Investment team available to a wider universe, has successfully achieved a 12-month track record. The Fund is designed for investors seeking alternatives to traditional asset classes, such as equities and bonds, which have exhibited increased levels of correlation to each other in recent years.

The Fund, which targets a return of 4% per annum over short term money market rates (net of all costs) and with low volatility, has beaten its objective in what by all accounts has been a turbulent period for investment markets. Although the Fund saw the full force of the post Lehman equity market volatility, its Sterling share class as at 08/10/09 is up 5.91% with a volatility of 1.48% since inception while its Euro institutional and retail share classes are up 5.95% and 5.38% respectively with a volatility of 1.36% since inception.

The team behind the F&C Active Return Fund employ a similar basket of derivative trading strategies on a number of existing products, including a hedge fund, and the management of the Fund is supported by a sophisticated risk management infrastructure. However, unlike a hedge fund, the F&C Active Return Fund has daily single pricing, a conventional management fee in common with a typical mutual fund and daily liquidity through a Luxembourg domiciled UCITS III SICAV fund structure. The Fund offers institutional share classes in both Sterling (hedged) and Euros and a Euro-denominated retail share class.

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F&C Asset Management plc is the listed holding company of the F&C Group.

F&C Management Limited is a member of the F&C Group and a subsidiary of F&C Asset Management plc.

The F&C Active Return Fund invests in a portfolio of derivatives focused on developed market equities, predominantly in Europe and the US, with a bias to larger cap indices where liquidity is greatest, even in times of market stress.

The Fund invests in three core strategies; market neutral (trading index and single stock options), volatility trading (variance trades) and other second order trades - such as dispersion, correlation and implied dividends - in order to exploit market pricing anomalies. The allocation between these strategies varies over time, depending on where the team believes the most value can be found. Positions are executed through vanilla derivative instruments, such as index options, which are traded by multiple counterparties, while more esoteric and exotic securities are avoided to ensure the fund remains invested in liquid instruments. The Fund, which currently has €64m of assets, has a very high weighting, often in excess of 90%, in liquid investments such as cash, deposits and Floating Rate Notes.

Stephen Crewe, who co-manages the Fund with Christopher Childs, said: “The Fund has delivered what it says on ‘the tin’ and beaten its target during its year of investing. This is therefore an important milestone as we look to growing assets under management. Importantly, the returns generated by the Fund have not been earned by simply being long equity markets since the recovery began in March, as our equity exposure was negligible over the period.”

“All of the key strategies have generated value since inception,” said Crewe. “Leading the way have been returns linked to the implied dividend market. Implied dividends are simply a measure of the level of dividends a company is expected to pay in the future. At the beginning of the year, this market was genuinely in a distressed state and the fund took advantage of the opportunity. The fund trades equity volatility and it has been a good year to be engaged in this activity given the levels of uncertainty embedded in the equity markets. Value has also been added by the trading of simple option strategies on single stocks and equity indices.”

“Looking forward, the uncertainties the markets currently face and the extended timeframe associated with the unwinding of the monetary and liquidity programmes suggest that opportunities in our strategy space will persist for some time. Importantly, the Fund is not dependant on market direction”, Christopher Childs concluded.

F&C is targeting the Fund at discretionary portfolio managers, private wealth managers, funds of funds and institutional investors.

- Ends -

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Notes to Editors

F&C Investments

- F&C Asset Management (F&C) is an independent London Stock Exchange listed asset management group with around 100,000 shareholders.
- F&C traces its origins to 1868 with the launch of the Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.
- F&C is an active fund manager with a multi-specialist investment model where individual teams have strong accountability for their products and processes. The group is also an active shareholder with a leading franchise in governance and sustainable investment.
- F&C manages £88.3 billion (€103.7 billion) of assets* for a diverse range of institutional, insurance and retail clients across all major asset classes – equities, bonds, cash and property – as well as alternative and specialist product classes such as Socially Responsible Investment funds, hedge funds, private equity funds and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.
- F&C REIT Asset Management is the group's global property asset management business. It was formed in 2008 from the merger of F&C's property division and REIT Asset Management. F&C REIT operates from offices in London, Dublin, Munich, Mumbai and Stockholm.
- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has a global office network spanning a dozen countries: China (Hong Kong), France (Paris), Germany (Frankfurt & Munich), India (Mumbai), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), UK (London, Edinburgh, Dorking) and the United States (Boston).
- In March 2009 F&C signed a Memorandum of Agreement with Hua Xia Bank, one of China's twelve nationwide joint stock commercial banks, to establish a joint venture fund management company in China in which F&C will have a 19.5% interest.

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* As at 30 June 2009.

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