



**F&C Management Limited**

Exchange House  
Primrose Street  
London EC2A 2NY

Telephone +44 (0)20 7628 8000

Facsimile +44 (0)20 7628 8188

[www.fandc.com](http://www.fandc.com)

# Press Release

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**For immediate release**

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## **F&C's LDI survey tracks liability-hedging trends among UK pension funds**

F&C has today published the results of its Liability Driven Investment (LDI) survey which analyses the volume of liability hedging transactions in the UK during the first half of 2008. The survey, which is carried out on a quarterly basis by F&C's Asset Liability Management team, is based on responses from derivatives trading desks most closely involved in pension liability hedging at major investment banks.

The results show the total risk traded using derivatives in the UK during the first half of the year was £47m of interest rate risk and £26m of inflation rate risk. Based on F&C's calculations this would hedge about £18bn of pension liabilities or 2% of the total UK defined benefit liabilities, on an FRS17 basis. These figures show that significant amounts of protection-buying are taking place using derivatives, as trustees are now much more aware of the risk that comes from their liabilities and the solutions available to reduce it.

The F&C LDI survey also asks investment banks' derivative trading desks for their opinions on the likely direction of key rates for pension liability hedging, with the aim to get information from those closest to the market to aid trustees in their decision making process. The results show that most banks believe retail price index (RPI) swap rates might have peaked, with 60% of respondents forecasting a fall in 30 year RPI swaps in Q3 against 20% expecting a rise. On the other hand, 60% of respondents believe European Harmonised Index of Consumer Prices (HICP) inflation swaps will rise due to growing demand from pension funds, while 20% expect a fall.

Alex Soulsby, derivatives fund manager at F&C, said: "More and more pension schemes want to implement investment strategies that are not only focused on the performance of their assets but also on how this performance compares to the changes in the value of their liabilities. As the time series develops, we

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believe that our survey will become a useful guide to trends in the liability-hedging market for our pension clients and their advisors.”

F&C is among the leaders in offering flexible and robust LDI solutions designed to mimic a pension funds' sensitivity to interest rates and inflation. F&C's LDI pools invest in interest rate and inflation derivatives to hedge the pension scheme's liability sensitivities and also in assets that are expected to give a return of 3 month GBP LIBOR over a 3 year investment horizon. These pools have on average a leverage of 3 times, meaning a typical fully-funded pension fund can hedge 100% of its liability by only investing 33% of its assets into F&C's LDI pools.

***For more details about the survey or further information on F&C's LDI solutions please contact Paula Garrido on +44 (0)20 7011 4190 or [paula.garrido@fandc.com](mailto:paula.garrido@fandc.com)***

**- Ends -**

### **Press enquiries**

Paula Garrido	Communications Manager	+44 (0)20 7011 4190
Veronique Sant	Communications Manager	+44 (0)20 7011 4278
Jennifer Donohoe	Communications Manager	+44 (0)20 7011 5017

### **Notes to Editors**

### **F&C Investments**

- F&C Asset Management (F&C) is a London Stock Exchange listed asset management group which traces its origins back 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 now manages £101.8 billion (€127.6 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, funds of hedge funds, private equity funds, Global Tactical Asset Allocation products,

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enhanced alpha funds and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.

- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has an office network spanning ten countries: China (Hong Kong), France (Paris), Germany (Frankfurt), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), UK (London, Edinburgh, Dorking) and the United States (Boston).

\* As at 31 March 2008.

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