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## Press Release

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**For immediate release  
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### **New fund will target absolute returns, low volatility**

F&C has launched a new pooled investment fund which will target returns of 2-4% per annum over short term money market rates (net of all costs) and with low volatility. F&C believes the Fund will be attractive to investors seeking alternatives to traditional and volatile asset classes, such as equity and bonds, which have exhibited increased levels of correlation to each other in recent years.

F&C Active Return Fund will be co-managed by Stephen Crewe and Chris Childs of F&C Alternative Investments. The Fund will utilise some of the derivative investment strategies successfully employed on existing products managed by the team, including a hedge fund, and will be supported by a sophisticated independent risk system.

Unlike a hedge fund, the F&C Active Return Fund will have daily single pricing, a simple fee structure and daily liquidity through a Luxembourg domiciled UCITS III SICAV fund structure. The Fund, which has both Sterling and Euro share classes, will therefore provide access to a set of alternative investment strategies to a wider universe of potential investors including discretionary portfolio managers, multi-managers and institutional investors.

The Fund will invest 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 team, who have worked together managing derivative investment strategies for 13-years, will blend a robust quantitative framework with a qualitative appraisal of markets. The underlying philosophy of the Fund will be to target sources of risk premium that have empirically been proven to exist and are believed likely to persist in the future\*.

F&C Management Limited is authorised and regulated by the Financial Services Authority (FSA) FRN: 119230. Limited by shares. Registered in England and Wales, No 517895. Registered address and Head Office: Exchange House, Primrose Street, London EC2A 2NY.

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.

F&C Active Return Fund will invest in three core strategies; market neutral (trading index options), volatility trading (vega, variance trades) and other second order trades - such as dispersion, correlation and implied dividends - in order to exploit market pricing anomalies. Additionally, the fund will have the flexibility to invest in other non-equity sub-strategies such as portfolio hedging and volatility trading in credit and currencies. The allocation between these strategies will vary over time, depending on where the team believes the most value can be found. Positions will be executed through vanilla instruments which are traded by multiple counterparties, such as index options, while securities that are complex to value will be avoided. The Fund will have a very high weighting, expected to often be in excess of 90%, in liquid investments such as cash, deposits and Floating Rate Notes.

The Fund has been launched with institutional share classes in Sterling (hedged) and Euro and a Euro-denominated retail share class. It will have a simple fee structure with initial charges of up to 5% and an annual management charge of 1% on the institutional share class and 1.5% on the retail shares. At launch the Fund will be available through private placement pending registration for marketing across a number of European territories.

*\* In 1973 Fischer Black and Myron Scholes published a ground breaking paper which is widely regarded as establishing the first option pricing formula. F&C Active Return Fund will target the variables that drive the Black-Scholes option pricing formula.*

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## **Press enquiries**

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## **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.

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- F&C now manages £96.5 billion (€121.9 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, 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 30 June 2008.