

F&C Global Climate Opportunities Fund

Now recognised to be one of the most significant challenges facing today's society, governments and companies are waking up to the realities of the threat posed by climate change. Complex in its causes and global in its impact, the solutions required to check and adapt to its advance will demand the development of a raft of new technologies and processes.

A huge level of investment is needed to fuel this industrial transformation, the implications of which have so far gone largely unrealised by many institutions and investors. The truly global nature of this issue opens up worldwide investment opportunities in innovative companies with technologies and strategies in place to reduce the impact of climate change and help society adapt to its effects.

Leveraging our experience of investing in sustainable development, and the expertise of our in-house climate change advisor, F&C's Global Climate Opportunities Fund encapsulates our detailed understanding of this global issue. From an investment perspective, the Fund provides access to companies, both large and small, that are leading the way in developing new technologies, processes and support services to address the issues resulting from climate change. In particular, we have identified nine specific investment themes to identify companies best positioned to provide solutions to climate change, each of which also offers significant growth potential.

Diversification lies at the heart of any successful investment strategy and F&C Global Climate Opportunities provides access to a number of specialist areas that will bring additional diversification benefits to any investment portfolio.

X-ray series



F&C Global Climate Opportunities

“With the consequences of climate change now being acted upon at the highest levels of government, we are going to see significant policy changes implemented in the years ahead. F&C can draw on the expertise of the largest dedicated Governance and Sustainable Investment (GSI) team in Europe to analyse these developments and their impact on corporate behaviour.”



Karina Litvack,
Director, Head of Governance
& Sustainable Investment

Why invest in Global Climate Opportunities?

To address the causes and effects of climate change, Governments and world agencies are imposing increasingly ambitious targets on companies and institutions, driving significant changes to their operations. Investing in those well placed to respond represents a compelling investment opportunity.

The physical effects of climate change are already being felt and the weight of scientific evidence is leading to changes in consumer behaviour. Firms able to embrace this change and meet these increased demands provide investors with exciting opportunities.

As society responds to the threat of climate change, new opportunities will present themselves to companies worldwide, irrespective of size, sector and geographic location. Innovative companies able to recognise and create value from these opportunities will provide investors with significant potential for profit.

A new sociological and corporate environment will take both time and significant investment across industries and sectors. It is estimated that investment into new power generation infrastructure alone will have reached \$20 trillion by 2030*. Spending on infrastructure is increasingly hailed as a specific investment trend and one particularly relevant in the response to climate change.

Why invest in the F&C Global Climate Opportunities Fund?

Comprehensive climate change themes

We approach climate change as a complex global issue. The nine investment themes we have identified are the result of our detailed theoretical analysis of the problem. They are aimed at identifying significant growth and investment opportunities over the longer term covering as wide a range of climate related issues as possible.

Genuinely global coverage

Although its impact will vary with geography, climate change is a global phenomenon. Successful solutions will be developed across global markets and we believe it is important to capture their diversity without being restricted by regional benchmarks. Our investment approach therefore offers genuinely global exposure, to reflect the worldwide nature of the issue.

Dedicated climate change expertise

The Fund benefits from the expertise of a dedicated climate change adviser. Vicki Bakhshi joined F&C in 2006 to lead our initiatives on climate change previously working as the Prime Minister's policy advisor on climate change before moving to the HM Treasury to work on the Stern Review on the Economics of Climate Change. At F&C Vicki is part of our 15-strong GSI team, the largest team of its type in Europe.

Experienced team

Co-managers Sophie Horsfall and Terry Coles, together have some 20 years of investment experience, which means they have hands on experience of managing across the economic and investment cycle. In addition to their broader global equity expertise, they have a strong track record of investment in sustainability themes through the Stewardship International Fund.

Proven valuation-based investment process

We believe that bottom-up stock selection combined with independent fundamental research is crucial to identifying investment opportunities. Valuation is of paramount importance to us, we seek stocks that we believe have both valuation support and attractive upside potential.

*Source: Inter-Governmental Panel on climate Change (IPCC) review, May 2007

F&C Global Climate Opportunities

Team and resources

The core investment team of Sophie Horsfall and Terry Coles works closely with Vicki Bakhshi a dedicated in-house climate change advisor and the wider Governance and Sustainable Investments team at F&C in discussing and identifying investment themes being shaped by climate change.



Sophie and Terry have worked together for several years and have an established track record of investment in sustainable themes through their Stewardship International Fund.

Sophie has built up 12 years of investment experience. She started her career as an investment analyst, which provided a good grounding for the move into portfolio management. Sophie graduated from the University of Durham with a degree in Modern European Languages. Terry also started his career as an analyst before moving into portfolio management and he has built up over 10 years of experience. Terry holds a BSc in International Business. Both Sophie and Terry are CFA charterholders.

Between them they are responsible for all aspects of stock selection and portfolio construction which means a single global approach to portfolio construction.

In working through the climate change themes they draw on the experience and expertise of Vicki Bakhshi, who before joining F&C spent five years as a policy advisor to the UK Prime Minister on climate change, after which she moved to HM Treasury to work on the Stern Review on the Economics of Climate Change. Vicki is also F&C's representative on the working group of the Corporate Leaders Group on Climate Change. She holds an MSc in Economics from Warwick University and a BA in PPE from Oxford University.

Sophie and Terry also draw upon the wider global team's research effort as well as the expertise of F&C's regional investment desks, along with inputs from the investment strategy and risk modelling teams.



Sophie Horsfall



Terry Coles



Vicki Bakhshi

Our investment philosophy

Our commitment to delivering strong investment performance is based upon an investment philosophy of 6 key components:

- 1 Markets are inefficient in the short to medium term**
Investor behaviour tends to become focused on a narrow set of criteria, creating herding patterns that can drive markets and create share price anomalies. Through active fund management we can exploit these inefficiencies and add value for our clients.
- 2 We are neither growth nor value but flexible and pragmatic**
As fund managers we are not chained to an investment style such as 'growth' or 'value'. Instead our active and pragmatic approach provides the flexibility to adapt to changing market conditions giving us the ability to outperform through the complete investment cycle.
- 3 Fundamental research and exceptional corporate access**
Our investment teams are actively looking for new investment ideas using a range of quantitative and qualitative research techniques. Our market position also gives us exceptional access to the most senior managers of the companies we invest in.
- 4 Small, focused teams with big company resources**
Our "multi-specialist" approach creates small, specialist and entrepreneurial teams, each with their own tailored investment process to drive idea generation. This delivers clear accountability and responsibility for each portfolio. These small teams benefit from cross fertilising ideas across other equity desks as well as our strategy, fixed interest and GSI teams to maximise investment opportunities.
- 5 Consistent risk management, integrated within portfolio construction**
Our innovative risk system, APT, is integral to our portfolio construction process and allows us to gain a thorough understanding of the risk profile of our portfolios both for pre-trade analysis and on an on-going basis.
- 6 We act responsibly**
We seek constructive dialogue with the companies in which we invest, highlighting potential risks, to enhance and protect long-term shareholder value. We cast votes on all shareholder resolutions and disclose our actions on our website.

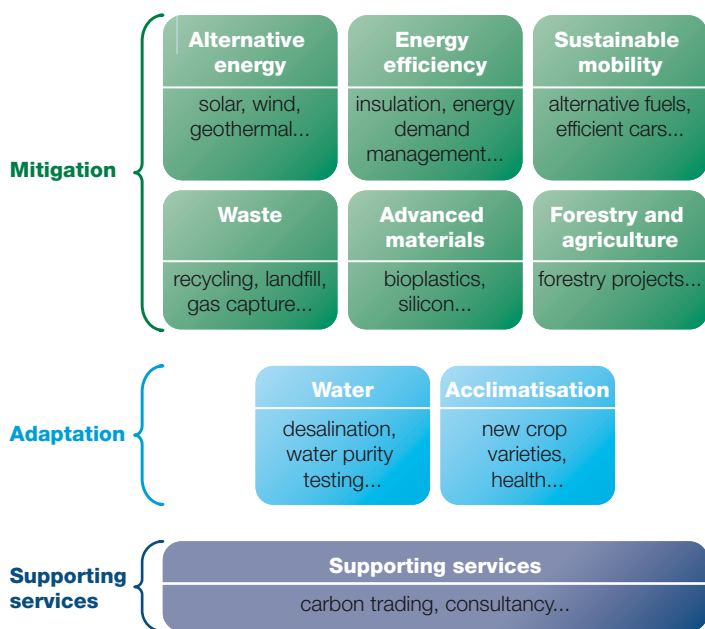


The Investment Universe

F&C has a long track record of investment along sustainability themes through the Stewardship product range. The size and strength of F&C is key to providing our investment teams with the resources and tools to maximise returns for our investors through a proven investment approach.

Nine investment themes

The issues surrounding climate change have been broken down into nine specific investment themes to help identify those companies whose strategy positions them well to benefit from these issues. These areas have been selected due to their importance in current and future legislation and the potential for success of companies encompassed within them.



Defined themes maximise investment potential

By highlighting nine defined investment themes and targeting our stock selection expertise within them we look to harness the full opportunity set created by climate change and the response to it.

Mitigation

Alternative energy – given that power generation is the largest source of greenhouse gas emissions there is huge impetus building to promote and develop new alternative energy sources. There has already been a surge of interest in this area but fundamentals remain positive with the US, EU and China set to remain the main drivers. And whilst the contribution from renewables is on the increase, fossil fuels will remain important for years to come – cleaner fossil fuel technologies will offer an ongoing opportunity.

Energy efficiency – increasing efficiency is the most effective way of cutting emissions, and governments have been keen to promote it in their efforts to combat climate change. China is targeting 4% annual efficiency improvements by 2010, and the EU is taking action on product standards, including plans to phase out incandescent lightbulbs from 2009.

Sustainable mobility – with transport accounting for 14% of global emissions stringent new efficiency limits are being introduced, and higher taxes applied to the largest polluters. Efficient vehicle technologies offer opportunities as do investments in public transport initiatives.

Waste – problems arising from the disposal of waste means that there is growing emphasis on the reduction of waste volumes as well as opportunities within recycling and waste-to-energy projects.

Advanced materials – solutions to climate related problems will require the use of new materials, chemicals and processes. These include increased demand for silicon in solar technologies or enzymes deployed in biofuel production. In addition there's scope for those able to offer alternatives to damaging processes or substances such as bioplastics made from biomass rather than derived from petrochemicals.

Forestry and agriculture – with deforestation and agriculture playing a significant role in greenhouse gas emissions the regulatory pressures on these areas is set to pick up with improving prospects for areas such as sustainable timber.

Adaptation

Water availability – already hampering growth and development in many areas, further pressure on water supplies as a result of climate change will increase demand for water related services such as desalination and purity testing.

Acclimatisation – with the incidence of extreme weather events widely predicted to be an upward trend, spending on flood and storm defence is picking up. Areas vulnerable to damage, such as agriculture, will also have to adapt – the development of drought resistant crops is one area of sizable interest.

Supporting Services

The response to climate change and the development of a low-carbon economy will require finance and other supporting services. Carbon markets are likely to increase in importance as will consultancies offering specialist advice in a changing world.



F&C Global Climate Opportunities

Stock selection

Using these defined investment themes, Sophie and Terry work with their GSI colleagues to decide which companies have a significant exposure to each of these themes and all potential investments are formally signed-off by the GSI team to maintain the integrity of the process.

Thereafter, Terry and Sophie use the same procedures for company analysis, stock selection and portfolio construction as they do in their other global portfolios. The significance of this is that all ideas not only fit the investment themes but also undergo rigorous valuation analysis.

A wide range of sources of information are used. These include company meetings of which the team has at least 300 per annum. The team also has access to research from F&C's other regional equity teams as well as external research from the most important brokers in each region.

Once new investment ideas have been identified they are subject to qualitative and quantitative analysis as shown below.

In the qualitative stage, we consider the fundamental issues surrounding the company and the industries in which it operates.

In the quantitative stage, we assess the valuation of each potential investment using a relative valuation approach and our proprietary Economic Value Added based valuation model.

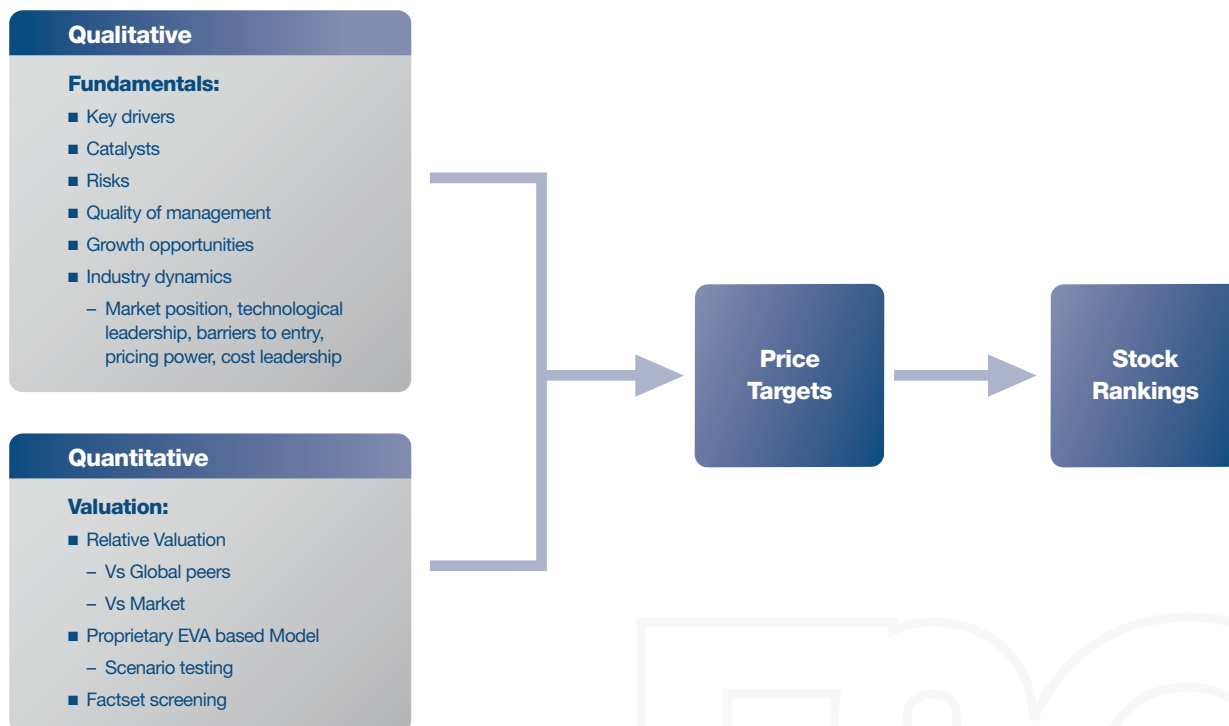
We combine our quantitative and qualitative research to establish a long-term price target for each company.

An investment note and rating is produced for each company. Stocks are rated from "1" to "4" with a "1" being a strong, high conviction buy, (typically at least 25% upside to the current share price) and a "4" being a strong, high conviction sell.

Portfolio Construction

The output of the stock selection process forms the basis of the fundamental element of portfolio construction. In addition we also use the innovative risk tool, APT to assess the risks present within the portfolio.

When considering a new idea, the team will consider the level of conviction in this idea. This will include the absolute level of potential upside as well as the inherent balance of risk and reward in that particular idea. This new conviction idea will be considered in comparison with existing holdings in the portfolio. The team's overall view of markets is also taken into account at this stage and for example if they are more bullish about the market outlook then there is a greater probability that higher risk ideas will be considered for the fund.



F&C Global Climate Opportunities

Winning gold with F&C

Delivering highly effective investment strategies is just one part of the service we provide. As principled asset managers, we are determined to lead our industry in all aspects of our business.

In 2006 – 2008, F&C were voted winners of the 'Gold Standard' in the Fund Management category. Only a few companies have been privileged enough to win a Gold Standard award, and as such, this is an exceptional achievement. The Gold Standard Awards aim to identify financial services companies that excel not just in service but in five key areas important to consumers of financial products and services:

Financial strength

Ability to meet and exceed customer expectations

Capability

Outstanding expertise and aptitude as a fund manager

Service

Ability to maintain and grow an effective post-sales relationship

Fair value

Assessing whether customers receive great value for money

Trust

Ability to instil confidence in consumers

As a result, the Gold Standards are one of the hardest, most sought after awards in the financial market place.



WINNER



Detail	Fund specifics
Launch date	18 September 2007
Sector	Equity
Benchmark	MSCI World
Valuation	Daily
Liquidity	Daily
Share classes (SC)	Retail (A) Institutional (I)
Currency	Euros
ISIN numbers	SC A: LU0318449591 SC I: LU0318449328
Fund type	SICAV
Pricing method	Single priced. An adjustment to the price may be applied on subscriptions or redemptions at the discretion of the Investment Manager. Details available upon request.
Year End	30 September
Dividend payment date	31 January
Charges	SC A Initial charge: 5.00% SC A Management fee: 1.50% SC I Initial charge: 5.00% SC I Management fee: 1.00%
Management company	F&C Fund Management Ltd
Administrator	BBH
Investment amount	SC A initial minimum: €2,500 SC I initial minimum: €1,000,000

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