



**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**

## Press Release

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**For immediate release**

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### **First ever UK equity '130/30' fund defies sceptics with six of the best**

The F&C Enhanced Alpha UK Equity Fund, the first so-called '130/30' fund to focus on UK equities, has reported its sixth consecutive month of beating the market since it was launched in August last year. Despite turbulent financial markets and a rocky-ride by many other '130/30' funds, the F&C Enhanced Alpha UK Equity Fund has managed to out perform the FTSE All Share Index by 4.21% during its first six months.

130/30 funds, more accurately described as enhanced alpha products, utilise some of the investment techniques more commonly associated with long / short hedge funds while remaining 100% net long vehicles with relative, rather than absolute, return targets. Over the last few years, these types of products have experienced explosive growth in assets under management in the US and are now becoming an increased focus for product development in Europe as fund managers make use of the wider powers given to them by UCITs III. While more than 80% of enhanced alpha funds launched in the US are believed to follow quantitative models, the F&C Enhanced Alpha UK Equity Fund further distinguishes itself from the crowd by following a fundamental stock-picking approach.

The managers of the F&C Enhanced Alpha UK Equity Fund are Peter Lees, F&C's Head of UK Equities, and Michael Ulrich, Associate Director, UK Equities. Lees has overseen a significant turnaround in F&C's UK equities performance since arriving at the company at the end of 2005, including the development of its strong institutional UK high alpha product.

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

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“The great thing about this fund is that it enables us to make more efficient use of information than a traditional fund. As fund managers we constantly take views on which companies will do better than the market and which will do worse. However, in a conventional equity fund the only way you can express a view on those shares that you believe will perform poorly is either to go underweight or not hold them at all,” explained Lees, “so the value of that information is not fully exploited to the benefit of investors.”

“In a market such as the UK this is particularly pertinent because the FTSE All Share Index is so skewed to a small basket of mega cap stocks. As a result of this less than 4% of the stocks in the FTSE All Share Index have a weighting of more than 1% and around 80% of its constituents individually comprise less than 0.1% of the index. So, choosing simply not to own a typical stock is going to have a very limited impact on your relative return. However, in the F&C Enhanced Alpha UK Equity Fund we can apply a short position and use the proceeds to take active positions in our highest conviction holdings,” said Lees.

F&C’s approach on the Fund leverages the firm’s existing institutional high alpha and bottom-up stock selection capabilities and its access to advanced risk management systems that allow the managers to view live positions and undertake pre-trade risk analysis for both long and short positions. Short positions are achieved through instruments such as Contracts for Difference (CFDs).

Unlike most other enhanced funds that are either managed using quantitative models or effectively managed as two separate portfolios – a 100% index position overlaid with a 30/30 long/short hedge fund – the F&C Enhanced Alpha UK Equity Fund is managed as an integrated portfolio. The structure is not rigidly tied to a 130% long / 30% short structure but allows the managers to use up to a maximum of 50% of the portfolio’s net asset value to short stocks that they believe will underperform and then use the proceeds generated by this activity to back active positions in companies in which the managers have the highest positive convictions.

“Since launch both our short and long positions have positively contributed to the Fund’s performance. Our short positions have worked particularly well with 11 out of 12 positions having under performed the market since the position was opened,” said Lees.

The Fund has been long in oil related stocks since launch, despite underweighting BP and Shell for most of the period. In the mining sector the portfolio has “enhanced” the alpha with long positions in relative out-performers such as Rio Tinto, Xtrata and Aquarius Platinum, and added alpha with short positions in Antofagasta and BHP, both of which underperformed the index. The portfolio has also benefited from a significant underweighting in financials. The fund’s only UK-listed long position in the UK banking sector, Standard Chartered, has outperformed the index by over 10% since the initial purchase.

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Richard Wilson, Head of Equities at F&C, commented: “We are very pleased with the way this structure has worked for UK equities as it underlines our credentials for managing this type of products. It is our intention to launch similar products across other equities desks where we have the demonstrable ability to do so.”

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***Note: The F&C Enhanced Alpha UK Equity Fund is a Luxembourg-domiciled Sicav, with Sterling and Euro share classes for both institutional and retail investors. It targets 40 to 60 stocks in the long portfolio and 10-15 short positions.***

### **Press enquiries**

Paula Garrido	Communications Manager	+44 (0) 20 7011 4190
Veronique Sant	Communications Manager	+44 (0) 20 7011 4278
Sarah Deutscher	Communications Manager	+44 (0) 20 7011 5222

### **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. The group is also an active shareholder with a leading franchise in governance and sustainable investment.
- F&C now manages £103.6 billion (€141.0 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 Investments, 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 its investment principally from three investment centres: London, Amsterdam and Edinburgh. The group has an office network spanning nine countries: France, Germany, Ireland, The Netherlands, Portugal, Sweden, Switzerland, UK and United States.

\* As at 31 December 2007.

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