

# Alternative Investments Fund

Terms in *italics* are explained in the glossary of terms at the end of this document.

## fund objective

The Fund aims to provide investors with long-term capital growth by investing in a diversified range of assets.

## performance

While Financial Express and Skandia Investment Group have used all reasonable endeavours to ensure the accuracy of the information contained in this factsheet, neither accept any liability in respect of the investment decisions of investors nor any loss arising from such decisions.

### percentage growth year by year to month end shown in table

1 Year to 31/12/09	1 Year to 31/12/08	1 Year to 31/12/07	1 Year to 31/12/06	1 Year to 31/12/05
5.76%	N/A	N/A	N/A	N/A

### percentage growth since launch

	3 months	6 months	1 year	3 years	5 years	Since launch
Alternative Investments Fund	2.67%	6.91%	5.76%	N/A	N/A	-3.10%

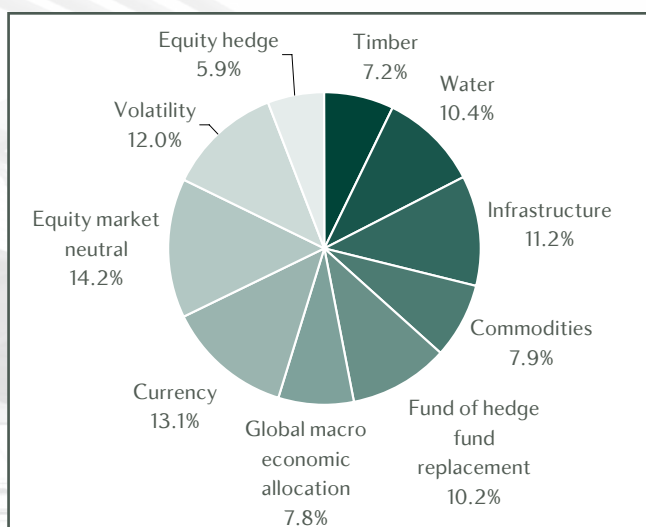
Source: Financial Express. Percentage growth is calculated in a single pricing basis with net income reinvested into the Fund.

Figures are to 31 December 2009. Past performance is not a guide to future performance.

In accordance with IMA guidelines, there are no performance statistics for the IMA Absolute Return sector included in this factsheet, as performance comparisons are inappropriate due to the diverse nature of the objectives of the funds populating this sector. This diversity includes differing *benchmarks*, risk characteristics and timeframes for delivering performance. Accordingly, it would be inappropriate to provide sector average statistics and *quartile* rankings as to measure the performance of the fund in this manner would be misleading.

## target asset allocation

as at 31 December 2009



Each investment is managed by specialist experts, hand picked by Skandia Investment Group. The actual asset allocation is rebalanced to the target weights shown above on a regular basis. As well as maintaining diversification, this trims back exposure to investments that have surged ahead and tops up those that have fallen behind.

## fund facts

These details are specific to the Open-Ended Investment Company (OEIC) Fund, which is operated and managed by Skandia Investment Group. Some or all of the fund information below will differ for investments made via other Skandia products.

Launch date	23 June 2008
IMA sector*	Absolute Return
Initial charge	5%
Annual Management charge	1.5%
Total expense ratio (estimated)**	2.42%
Minimum investment	£1000 Lump sum / £50 monthly regular investment
ISA eligibility	Yes
Type of share	Retail accumulation (Sterling hedged)
Valuation point	12 noon UK time
SEDOL	B39V2C0
ISIN	GB00B39V2C07
MEXID	SNAIGH
Fund size as at 31 December 2009	£73.3m

\* Funds in the IMA Absolute Return sector aim to produce positive returns over periods of twelve months or more, whatever the market conditions. However, this cannot be guaranteed. Over shorter time periods, which may last for up to several months, there are likely to be occasions when such funds will fall in value.

\*\* As this Fund was less than a year old when the figures were last calculated, this is an estimated figure.

The current daily share price can be found on our website at [www.skandiainvestmentmanagement.com/funds/fundinformation](http://www.skandiainvestmentmanagement.com/funds/fundinformation)

## the managers

Asset class	Investment house	Name of holding
Water	KBC	KBC ECO Water Fund
Infrastructure	TG RARE Macquarie	TG RARE Infrastructure Fund Macquarie Global Infrastructure Securities Fund
Fund of hedge funds replacement	Fulcrum	Fulcrum Alternative Beta Plus Fund
Equity market neutral	JPM Highbridge	JPM Highbridge Statistical Market Neutral Fund
Currency	Morgan Stanley	Morgan Stanley FX Alpha Plus RC400 Fund
Volatility	Commerzbank	Commerzbank UK Premia Fund
Global macro-economic allocation	AVIVA Investors	Aviva Investors Absolute TAA 5 Fund
Commodities	Morgan Stanley	Morgan Stanley Commodities Active GSLE Fund
Timber	BNY Mellon	Passive investment

## the asset classes

### \*Equity Hedge

In order to limit the impact of stock market movements on certain asset classes, a *derivative* position has been put in place. This involves a '*short*' position in the MSCI World Index which creates a profit should equity markets fall and a loss if equity markets rise. The aim is to generate the return of the underlying assets rather than a return based on stock market sentiment.

### Water

As a staple of life, water is always in demand whatever the economic conditions and is therefore described as a '*defensive*' asset class. In the Skandia Alternative Investments Fund it is accessed through companies involved in water activities, including:

- Utilities
- Water infrastructure and equipment
- Water technologies
- Construction and engineering
- Environmental control and metering

### Infrastructure

Infrastructure is a *defensive* asset class which is likely to produce less variable performance than shares as a whole. It provides exposure to global listed infrastructure companies in areas such as gas/electricity distribution and toll roads.

### Fund of hedge fund replacement

Hedge funds have a low *correlation* to traditional assets and hold the potential for attractive returns with lower risk, which makes them beneficial within balanced portfolios. However, they are often thought unsuitable for retail investors due to high fees and a lack of transparency or regulation. Fund of hedge fund replacement is a strategy which seeks to harness the benefits of funds of hedge funds in a transparent, accessible and regulated form, and at significantly lower cost than funds of hedge funds themselves.

### Equity market neutral

Based on mathematical modelling, this strategy seeks to exploit opportunities arising from the fact that share (equity) prices do not always reflect all information flows. Markets are not perfect so pricing 'inefficiencies' can be exploited. By having a roughly equal exposure to shares expected to rise and those expected to fall (via *derivatives*) it aims to generate positive returns regardless of the direction of the stockmarket.

### Currency

The ease of buying and selling currencies allows skilled investment managers the opportunity to profit through a disciplined, risk-controlled approach, exploiting the tendency for higher interest rate currencies to outperform lower rate currencies.

### Volatility

This strategy is designed to capture the systematic mis-pricing of options in the UK equity market (an option is a kind of agreement that gives the buyer the right, but not the obligation, to buy or sell an investment at an agreed price by a specified date). It is based on the premise that actual variability of returns, or '*volatility*', of shares is almost always lower than expected volatility. The strategy aims to deliver a return with low volatility, and low *correlation* to the stockmarket.

### Global macro-economic allocation

Global macro-economic allocation seeks to evaluate the attractiveness of a range of asset classes across all regions and countries, and to position a portfolio to benefit from pricing inefficiencies. Analysis of global economic conditions determines which assets are expected to perform best and the portfolio is weighted accordingly. The strategy looks to make consistent returns regardless of stock market direction.

### Commodities

Gives you access not to commodity companies but to real commodities, such as wheat, sugar, oil and cotton, and therefore has a low *correlation* to shares.

### Timber

Because of its unique nature, deriving from the steady growth in tree sizes, timber tends to perform differently from traditional asset classes and provides an excellent opportunity for diversification. The Alternative Investments Fund offers exposure via *derivatives* to the largest listed timber companies involved in:

- Forest products
- Paper products
- Paper packaging
- Specialist Real Estate Investment Trusts

## glossary

**Benchmark** - A standard against which the performance of a security or fund can be measured. The benchmark could be an index or the average for all similar funds, also known as the sector average.

**Correlation** - If an asset class is said to have low correlation to another asset class, it means it is unlikely to perform in the same way. For instance, when we say a fund has a low correlation to equities we mean that when equities are performing badly, this fund could still perform well.

**Defensive investment** - An investment that provides stable earnings and/or reliable distributions regardless of the state of the market as a whole.

**Derivative** - A derivative is a contract between two or more parties whose value is derived from a related asset.

**Quartile** - A statistical term which, in this context, describes the performance of an investment fund relative to other investment funds in a group or sector. Each quartile contains 25% of the funds based upon the performance of each fund in comparison to other funds in the group or sector. The funds are ordered by performance with the top performing 25% of funds making up the 1st quartile and the worst performing 25% of funds making up the 4th quartile.

**Short position** - The purchase of a contract against a security, commodity or currency, with the expectation that the asset will fall in value.

## important information

The past performance of an investment is not a guide to future investment performance.

What you get back will depend on investment performance and is therefore not guaranteed. The value of investments and any income from them can fall as well as rise.

When you cash in your investment you may get back less than you invested, especially in the early years.

You should appreciate that there are inherent risks in all types of investment. There can be no guarantee that the objectives of the Fund will be achieved.

This Fund includes some exposure to emerging markets, which tend to be less well regulated and more volatile than more established stock markets, so increasing the potential risk to investors.

At times, the Fund may be heavily invested in smaller companies, which may carry a higher degree of risk and be more difficult to sell than larger companies.

The ACD may appoint an investment adviser to employ a strategy involving *derivatives*, with the aim of reducing exposure to equity markets within the Fund. However, this strategy is likely to reduce investment returns when equity markets are rising.

This Fund may undertake contracts in 'over-the-counter' *derivatives* as well as those which are traded on a recognised exchange. This may expose investors to additional risk as such contracts may be more difficult to value or close.

*Derivatives* held by the Fund will be accounted for and taxed in accordance with the Statement of Recommended Practice for authorised investment funds. Should HM Revenue & Customs decide to impose new rules on the taxation of *derivatives*, this may increase the tax burden on the Fund and reduce returns for investors.

The ACD may use one or more counterparties to undertake *derivative* contracts on behalf of the Fund and may be required to secure such contracts using assets held by the Fund. There may be a risk that a counterparty will wholly or partially fail to honour its contractual agreements to the detriment of the Fund. The ACD measures the creditworthiness of counterparties as part of its risk management process.

This Fund may invest in exchange-traded funds. These funds typically represent a market index but because they are traded on an exchange their price may be higher or lower than the net value of the underlying investments.

In the case of the Sterling hedged share class, investment may be made into *derivatives* or forward transactions with the aim of reducing currency risk for Sterling investors by hedging the predominant portion of non-Sterling exposure back to Sterling (hedging means making an investment in a security with the aim of mitigating a risk, in this case adverse currency movements). Where the currency exposure is not fully hedged to Sterling, the value of the share class may rise and fall purely as a result of exchange rate fluctuations.

Some of the collective investment schemes in which this Fund invests may not be bought or sold on a daily basis. This may affect the ability of investors to realise their investment when they choose and, under certain circumstances, the ACD has the ability to defer redemptions.

Skandia Investment Group is a trading name of Skandia Investment Management Limited. Skandia Investment Management Limited is authorised and regulated by the Financial Services Authority. FSA Registered Number 208543 Registered Number: 4227837 England Registered office: Skandia House, Portland Terrace, Southampton, SO14 7EJ, United Kingdom.

The Authorised Corporate Director for the Skandia Alternatives Investment Fund is Skandia Investment Management Limited.

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