

FTSE CURRENCY FORWARD RATE BIAS INDEX SERIES – THE FRB5 INDICES

Developed with Record Currency Management

The currency forward rate bias (FRB) is the observed tendency of higher interest rate currencies to outperform lower interest rate currencies. This can be identified over a given time period as the higher interest rate currency's appreciation over and above the extent expected from currency forward contract pricing. Hence, this outperformance can be captured through a series of forward contracts.

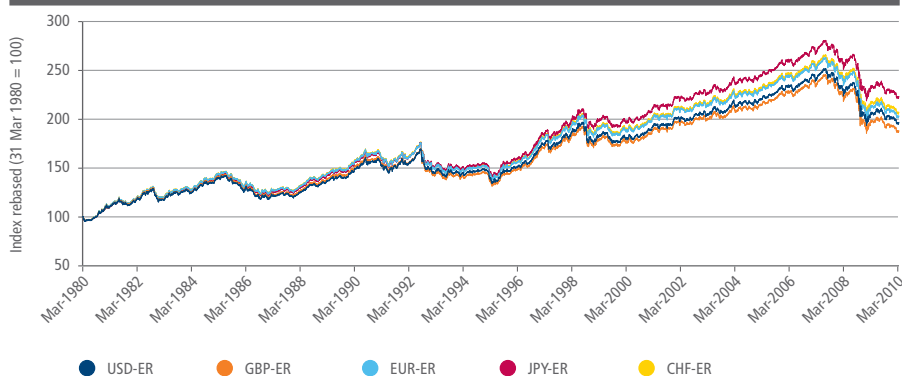
Research by Record Currency Management, a leading currency investment manager, has demonstrated that the forward rate bias is a fundamental and sustainable return stream. With a low long-term correlation to other asset classes such as equities and bonds, it is driven by macroeconomic imbalances between economies and sustained by governmental sovereignty over short term interest rates. It can therefore be seen as an "alternative beta".

FEATURES

- The FRB5 Indices represent the return generated from investing, on an equal-weighting basis, in all ten currency pairs that can be derived from the following five currencies: USD, EUR, JPY, GBP and CHF.
- Each month, the higher interest rate currency of each pair is bought against the lower using one-month forward contracts. Contracts are rolled at maturity or reversed if the direction of the rate differential has reversed. Interest rate differentials are indicated by forward contract pricing.
- All ten positions are re-balanced monthly to maintain equal weighting.
- FX deals are fully costed, so the index is investable.
- Excess return and total return index values are calculated daily.
- The FRB5 indices are denominated in USD, EUR, JPY, GBP and CHF and a product file is available for each currency.
- An index methodology and calculation example is freely available to the public for all FTSE forex indices.

HISTORICAL INDEX PERFORMANCE

CHART 1: 30-YEAR CUMULATIVE EXCESS RETURNS OF FTSE CURRENCY FRB5 INDEX



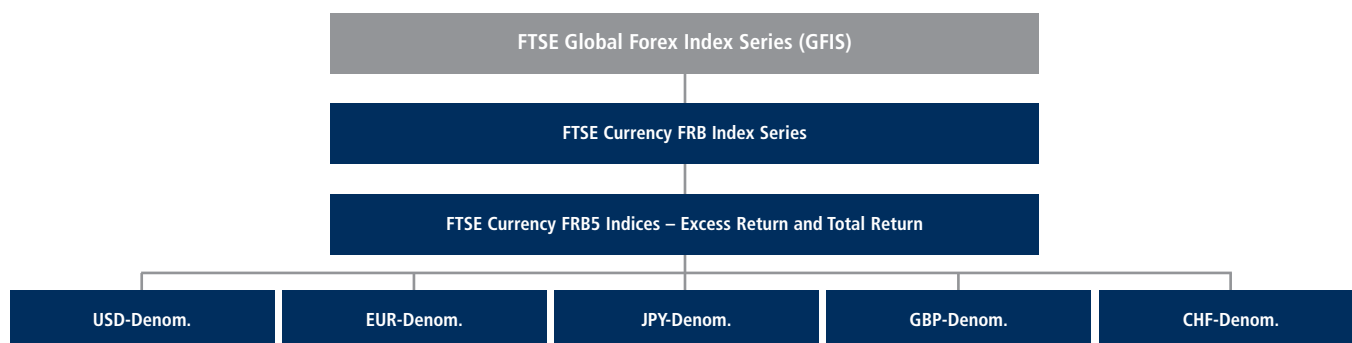
Source: FTSE Group, data as at 31 March 2010

CHART 2: 15-YEAR PERFORMANCE CHART – TOTAL RETURN (USD)



Source: FTSE Group, data as at 31 March 2010

FAMILY TREE



FRB5 INDEX CONSTITUENT CURRENCY PAIRS

Currency pair	Spot	1m forward	Rate ratio	Long
GBPUSD	1.51065	1.51037	0.99981	GBP
USDJPY	93.00000	92.98495	0.99984	USD
EURUSD	1.34220	1.34225	1.00004	USD
USDCHF	1.06655	1.06628	0.99974	USD
GBPCHF	1.61120	1.61047	0.99954	GBP
GBPJPY	140.49043	140.44115	0.99965	GBP
EURGBP	0.88850	0.88869	1.00021	GBP
EURJPY	124.82458	124.80857	0.99987	EUR
EURCHF	1.43155	1.43120	0.99976	EUR
CHFJPY	87.19703	87.20540	1.00010	JPY

Source: FTSE Group, data as at 30 March 2010

SUMMARY PERFORMANCE STATISTICS (TOTAL RETURN – USD)

CALENDAR YEAR ANNUAL PERFORMANCE 1979 TO 2010										
Year	0	1	2	3	4	5	6	7	8	9
1970s										24.41%
1980s	32.13%	25.40%	19.27%	16.05%	19.13%	6.33%	-2.33%	5.90%	20.57%	15.86%
1990s	21.26%	6.91%	-2.93%	0.99%	6.13%	6.25%	21.11%	14.10%	1.58%	5.27%
2000s	12.57%	11.84%	3.33%	4.76%	3.73%	10.05%	10.16%	4.23%	-14.56%	0.81%
2010s	-2.77%*									

Source: FTSE Group, data as at 31 March 2010 * Data to 31 March 2010

SUMMARY PERFORMANCE STATISTICS (EXCESS RETURN – USD)

CALENDAR YEAR ANNUAL PERFORMANCE 1979 TO 2010										
Year	0	1	2	3	4	5	6	7	8	9
1970s										11.13%
1980s	15.62%	6.36%	5.47%	5.92%	7.42%	-2.05%	-8.90%	-1.03%	11.76%	5.60%
1990s	11.74%	0.92%	-6.36%	-2.06%	1.73%	0.17%	14.83%	8.00%	-3.81%	0.10%
2000s	5.72%	7.51%	1.60%	3.58%	2.32%	6.56%	4.79%	-0.97%	-16.26%	0.64%
2010s	-2.81%*									

Source: FTSE Group, data as at 31 March 2010 * Data to 31 March 2010

ABOUT RECORD CURRENCY MANAGEMENT

Record Currency Management is a leading currency overlay firm, managing USD34 billion in assets (data as of 31/03/2010). Record has been providing currency management services to institutional investors and corporations in the UK, US, Canada, Europe and the Middle East without interruption since the firm's inception in 1983. Services include passive and active currency overlays as well as absolute return strategies, in both segregated and pooled formats.

INFORMATION

Index Launch
September 2009

Base Date
30 December 1998

Base Value
1,000

Index Calculation
The indices are calculated on an end-of-day basis

End-of-Day Distribution
Indices available at 17:30 local UK time, via FTP

Currency
USD, EUR, JPY, GBP and CHF
Total Return indices use overnight rates (FED FUNDS, EONIA, TONAR, SONIA and TOIS)

Review Dates
Monthly

Historical Data
Available from 1978

Index Rules
Available at www.ftse.com/forex

Vendor Codes

Bloomberg
FRB5USDE
FRB5USDT
FRB5GBPE
FRB5GBPT
FRB5EURE
FRB5EURT
FRB5CHFE
FRB5CHFT
FRB5JPYE
FRB5JPYT

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