

F-Squared Investments Introduces Active Index Solutions™

Active Index Solutions pioneers the first ever index platform of Actively Managed Mutual Funds to provide higher retained investor returns. Re-ignites the Active vs. Passive investment debate.

Wellesley, Ma., October 4, 2007--F-Squared Investments, LLC, announces the launch of Active Index Solutions, LLC (AIS), the industry's first index provider that is dedicated exclusively to indexes constructed of a select number of top rated actively managed mutual funds. These active fund indexes are known as Acti*f*indexes™, and on average are constructed from 10 actively managed mutual funds.

This week AIS introduces the first 18 ActiFindexes and will introduce additional indexes to the marketplace in the coming months.

In cooperation with industry renowned investment consultants, AIS built the ActiFindexes along well defined investment objectives, reflecting the best institutional practices for selecting active management. These consultants provide unique skill plus consistent and repeatable investment processes, resulting in superior returns.

"The proposition underlying AIS's ActiFindexes is that the best active mutual fund managers consistently add value over three year rolling periods, and a portfolio of those managers will provide investors with higher retained returns," says Ron Santangelo, former Manager of Merrill Lynch's Managed Solutions and Analytics Group and Chairman of the AIS Investment Committee. "The key is to identify the minority of active managers who are skilled and talented enough to repeatedly and reliably outperform."

The applications for the ActiFindexes are many. "We view these indexes as powerful benchmarks because they are the first to reflect *skilled* active management. Their investment potential also make them attractive for use within traditional products, and we are currently in discussions with several firms about licensing these indexes for use in mutual funds, insurance products, and even a form of actively managed ETF's, says Howard Present, co-founder and CEO of F-squared Investments and architect of Active index Solutions. "We have developed a proprietary means of commercializing these indexes that does not result in a layering of fees to the end client."

The initial index platform is divided into three investment objective categories: Retirement Income, PrecisionAlpha/Sector and Risk-adjusted Returns. Each group of ActiFindexes are built and managed by a third party institutional consultant who specializes in manager research and selection.

The *Retirement Income* category is comprised of Large-Mid Value, Large-Mid Blend, and Large-Mid Growth indexes, and is designed to provide high quality returns over a full market cycle while outperforming in weak or down markets. The selection of the qualifying managers in the portfolio is done by Kanon Bloch Carré (Boston,MA), the "Index Manager".

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The *PrecisionAlpha/Sector* category is made up of the largest sector categories (Technology, Healthcare, Financial Services, Utilities, Natural resources, and Real Estate) and is designed to deliver maximum alpha, or investment value-add. The Index Manager for the portfolio is Mesirow Financial (Chicago, IL).

The *Risk-adjusted Return* family of ActiFindexes is made up of 9 indexes featuring Value, Core and Growth across the Large Cap, Mid Cap, and Small Cap areas. These indexes are designed to deliver maximum risk-adjusted-returns. Klein Decisions (Raleigh, NC) is the Index Manager for these indexes.

“The investment approach behind the ActiFindexes is neither new nor novel, says George McClelland, co-founder of F-Squared Investments, LLC and one of the AIS Investment Committee members. “It is based on the investment model that the world’s largest investors regularly use, only now investors don’t need billions of dollars to invest to benefit from the approach.”

As Mr. McClelland notes, the design of the index construction was developed after researching the investment model that the world’s largest and most resourced investors use to select and build their investment portfolio of active managers. These mega investors use a model that is simple, straightforward, and effective:

- Selection of an institutional-class consultant to screen and select active managers.
- Selection of a small number of best-in-class managers, creating a multi-manager portfolio providing diversification of managers and process.
- Periodic review of the managers, and a formal sell discipline to ensure that managers continue to meet the standards of “best-in-class”.

The AIS construction model mirrors that of these mega investors, with the following investor benefits:

<u>INVESTMENT ACTIVITY</u>	<u>INVESTOR BENEFIT</u>
Proven mutual fund research and selection	Alpha from manager selection; Custom solutions
Best-of-breed mutual fund managers	Alpha from security selection and portfolio construction
Small portfolio of managers (multi-managed)	Diversification of process and firm
Forced sell discipline – Annual reconstitution	Maintains best-of-breed investment manager
Quarterly rebalancing	Delivers “rebalancing bonus”

About Active Index Solutions

Active Index Solutions is the industry’s first index platform where all indexes are constructed from a select list of top rated mutual funds. The ActiFindexes validate the role of manager research while also making possible a new investment paradigm by offering a multi-manager approach. This model has been proven to be vastly superior to the more limited approach of selecting standalone managers.

For media inquiries, contact us at: MEDIAinquiries@f-squaredinvestments.com, or 781-237-3008.

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