



The Virgin Climate Change Fund

The fund no investor can afford to ignore

For professional adviser use only





As an entrepreneur I believe you develop a sixth sense about opportunities. Some stare you in the face so clearly it's hard to miss them. And just such an opportunity is opening up to investors around society's attitude to climate change.

Whether you are a disciple or a cynic about climate change, no business can ignore the fact that consumers, governments and legislators are starting to hit the worst polluters where it matters, in their pockets. Companies face increasing green taxes and penalties, squeezed profit margins and diminishing market share as customers vote with their feet. Businesses which are environmentally switched on sit in pole position to become the high performers of tomorrow.

That's why we've teamed up with world-class fund managers GLG to launch the Virgin Climate Change Fund. It's an actively managed fund investing in select companies who have the potential to drive outstanding profit growth and are environmental leaders in their industries. I believe it's a fund no investor can afford to ignore. It offers the potential for market leading returns without damaging the planet.

If you haven't heard of GLG before, they're a leading alternative asset manager, who were previously only accessible in the UK to high net worth individuals and large corporate investors.

As a financial adviser with your finger on the pulse of the investment market, you are best placed to help your clients take advantage of compelling investment opportunities, so I hope you share my enthusiasm enough to tell your clients about this exciting new fund.

We look forward to teaming up with you.

A compelling investment opportunity

Climate change is driving a second industrial revolution, transforming the landscape in which companies operate.

Currently companies can damage the environment without having to absorb the costs on their P & L.

However, as governments and global agencies pass ever tougher, pan-industry laws forcing companies to internalise these costs, lighter environmental footprint companies could outperform the heavier footprint stocks, whose margins could be squeezed. Profitability and investor returns, will increasingly depend on environmental efficiency.

We believe identifying companies who are already environmental leaders in their fields is not only an investment opportunity, but essential to superior returns for tomorrow's investor.

Fund overview

The Virgin Climate Change Fund is an environmental fund with a difference.

Unlike typical 'environmental' funds, our fund can invest in all industries and sectors. We select the companies we consider will deliver the highest economic returns, and then identify those with above average environmental credentials.

Independently approved by Standard & Poor's

The Virgin Climate Change Fund has been awarded an 'A' rating by Standard & Poor's – the first time ever that a carbon-aware fund has been assigned an S&P Fund Management Rating.

In their report Standard & Poor's commented:

"GLG's strong track record in European equities and success with the similarly managed GLG Environment Fund bode well for the Virgin Climate Change Fund."*

* Standard & Poor's Research Report March 2008.

Not your usual 'green' fund

Historically 'green' funds have excluded some of the most lucrative investment sectors like the oil, mining and transportation industries.

The Virgin Climate Change Fund is different. It offers the chance to outperform not only traditional 'exclusively green' funds, but other traditional methods of non-environmental stock-picking too.

What the fund is not

- Not an environmental 'exclusive' fund with negative screening. (We don't exclude lucrative sectors such as transport and energy.)
- Not a fund that only invests in higher volatility providers of environmental solutions like alternative energy and clean technology.

The Virgin Climate Change Fund is...

- Performance-focused – our investment strategy gives us access to the best performing investment sectors.
- Inclusive - from these top performers we choose those that have a lighter than average environmental footprint in each industry.

World class expertise in high-growth investments

To launch the Virgin Climate Change Fund we've teamed up with GLG, a world-leading fund manager with a proven track record of high returns. Typically, GLG have previously only dealt with high net worth individuals and large institutions.

- One of the largest alternative asset managers in the world.
- Over \$22 bn in net assets under management (AUM) as of 31 December 2009.
- World class client base.
- Rigorous risk management and controls.
- Close relationships with the management teams of individual stocks - over 5,000 one-to-one meetings held in a typical year.
- Winner of 'Thomson Extel Surveys' No 1 Hedge Fund 2007 and No.1 Leading Pan-European Hedge Fund 2008.

Virgin Climate Change Fund Management Team

The fund benefits from the input of 30 investment professionals based in London.

It's managed by Pierre Lagrange (a founder of GLG and Partner) and Ben Funnell (manager of GLG's flagship European Equity Fund). Adeline Diab is a dedicated Environment sector analyst working exclusively on the fund.



Ben Funnell

Ben Funnell joined GLG in May 2006 from Morgan Stanley, where he was a Managing Director and co-head of European Equity Strategy. His work focussed on market and sector selection using a disciplined fundamental approach. In his 8 years as a strategist his team was ranked first in the Institutional Investor poll six times and ranked first in every major poll in the last two years. Prior to working on Strategy Ben was a Transport Analyst at Morgan Stanley, where he worked on the IPO of Ryanair.



Pierre Lagrange

Following his MA in Engineering at Solvay Business School in Brussels, Pierre worked at JP Morgan for 4 years in government bond trading. He joined Goldman Sachs in 1989 where he had responsibility for managing global equity portfolios. In 1995, he co-founded GLG Partners as a division of Lehman Brothers International (Europe), where he was Managing Director concentrating an advising clients, asset allocation and co-managing Pan-European equities. In September 2000, Pierre co-founded GLG Partners LP where he has overall responsibility for European equities including long-short and long-only funds.

Adeline Diab

Adeline has 9 years of experience in portfolio management and investment research. In September 2007 Adeline joined GLG Partners in London with overall responsibility for GLG Green Research and co-managing both GLG Environment Fund and Virgin Climate Change Fund. Prior to that, Adeline worked at HSBC in Paris, where she had responsibility for SRI global equity research mainly focusing on climate change themes. Adeline started her career at the World Bank in a graduate program and then at Suez where she was a project financing analyst in the energy and water sectors. Adeline completed an MBA in Finance and Strategy at the HEC Paris Business School in combination with the University of Minnesota, Carlson School of Management in the US.

A three-layered investment approach

The Virgin Climate Change Fund invests predominantly in Europe. To maximise returns and at the fund manager's discretion it may also invest globally. No investment sector is excluded, and to achieve balance we take a three-pronged approach when deciding which stocks to invest in.



Lighter Footprint Companies

BG Group

We like the BG Group from both a financial and an environmental standpoint. While BG Group is part of the oil and gas sector, we welcome the fact that it has established efficient operations enabling the company to have a lower footprint than its sector average. Within its sector we also like the company as it is mainly a gas player which we consider a key environmental exposure: gas is not only the lowest carbon fossil fuel (with 22% less carbon than oil and 40% less than coal) but it also converts into energy more efficiently than other fossil fuels. From a financial perspective, BG's assets are still, as of today, best in class compared to its competitors in terms of quality and return. This is especially true since the Brazilian Tupi and Carioci sites have allowed BG to double its oil and gas reserves. Meanwhile, BG's LNG business is on track for expected double digit growth.

Solution Adopters

ABB

ABB is one of the world's leading engineering companies, helping customers use electrical power more efficiently. ABB estimate that 80% of energy value is lost between power being generated and its final use, and their products tackle this wastage head-on. For example their drive systems can reduce a motor's energy consumption by 50%. In addition to energy efficiency, ABB are also exploring ways to improve wind power technology.

ABB Group has high margin and growth potential. This success looks set to continue with new government efficiency targets and countries like China and the US planning to invest heavily in this area over the coming years.

Solution Providers

Ceres Power

Ceres Power operates in the largest commercial market for fuel cell technology – Combined Heat and Power (CHP) boilers for homes.

Fuel cell technology uses a fuel (e.g. hydrogen) and an oxidant (usually air) to produce electricity. This has many environmental benefits over other technologies, including low-to-zero emissions, low noise pollution and the option to use a variety of different fuel sources.

With over 30 million boilers sold worldwide each year at a cost of around £2,000 each, Ceres Power is part of a massive global market, potentially worth £50 billion a year. They also have an advantage over their peers because their product is cheaper and, despite the global economic downturn, they have recently signed contracts with Calor Gas and EDF Energy Networks and have been in partnership with British Gas since January 2008.

Ceres Power has a bright future as the demand for CHP boilers increases. Western Europe and Japan offer subsidies and reduced VAT incentives on these energy efficient boilers and British Gas estimate that by 2020, 30% of all boiler replacement sales could be CHP.

The lighter footprint part of the fund

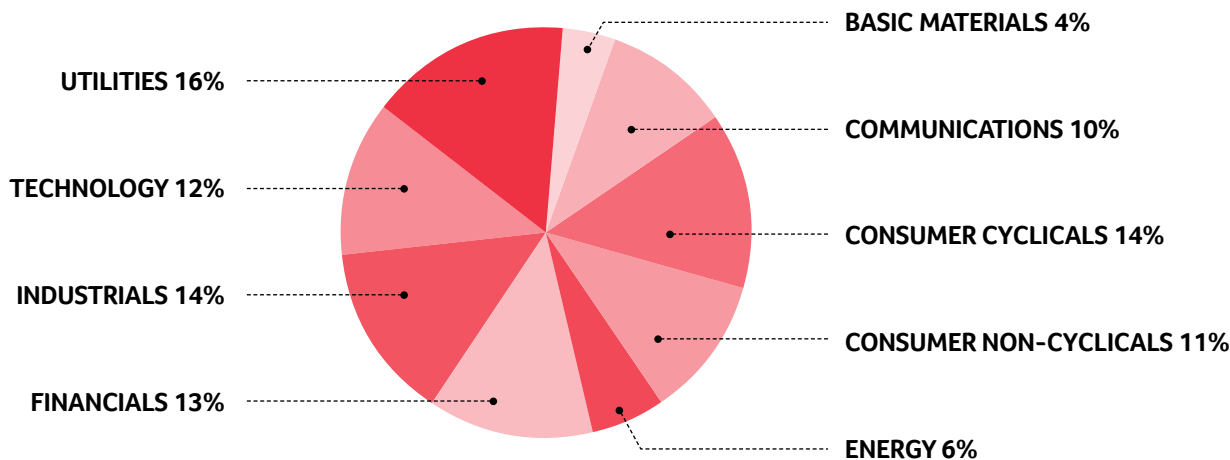
The Lighter Footprint stocks which make up 75-100% of the Virgin Climate Change Fund are predominantly selected from the MSCI Europe Index. There is no style skew – the portfolio will have pockets of growth, value, event driven, restructuring and relative value investments.

A principal reference for stock selection is GLG's flagship long only European Equity Fund, a long-only fund with a 9 year track record that has outperformed its benchmark since early 2003.

The fund manager also has the option of investing in other stocks selected by GLG's sector specialists in any investment sector globally. GLG's cross-asset exposure as a firm gives very helpful insights into, for example, credit, convertible bond and emerging markets.

As one of the leading alternative asset managers in the world, GLG is widely considered to be a pre-eminent place to work by the investment profession, and they hire highly-ranked analysts to pick stocks within sectors. GLG also consider their relationships with the management teams of individual stocks to be a source of competitive advantage. In a typical year their senior investment team has over 5,000 one-on-one meetings with management teams.

A typical asset and sector allocation of this part of the Climate Change Fund portfolio might be:



The fund will be invested primarily in equities and may from time to time hold cash balances. Sector, style, liquidity and geographic revenue exposure biases are monitored on a daily basis.

How the GLG green filter works

The green filter is used to identify the lighter environmental footprint stocks which make up 75-100% of the Virgin Climate Change Fund.

We don't exclude industries, we choose from those in each industry that have a lighter than average environmental footprint.

The fund management team work closely with Trucost, a leading world authority who provide environmental data on over 4,000 companies worldwide, including coverage of the FTSE All-Share, S&P 500, Nikkei 225, DJ EuroSTOXX indices. Trucost are supported by an international advisory panel of leading economic and environmental academics.

Trucost assess over 700 factors like greenhouse gas emissions, resource usage, water usage, nuclear waste, acid rain and smog contribution, use of heavy materials and production of general waste to work out a company's 'footprint'.

This is then shown as a % of a company's value, as in the example below:

Company valued at	Impact on the environment	'Footprint'
£50m	£2.3m	$2.3/50 = 4.6\%$

This allows individual companies to quantify their costs financially, and allows us to rank them as heavier or lighter polluters in their industry sectors.

An example of the analysis process and the GLG green filter in action

For each sector, companies are selected on the basis of detailed analysis of their performance potential. So, for example, we may decide that in the oil, gas and fuels sector, companies B, E and H meet our performance criteria.

The selected companies are then passed through the GLG green filter to determine whether they fall in the lighter half of their sector. In the example below, H would be excluded at this time.

	Company	Impact ratio	
Light	A	0.81%	The companies in the lighter half are those the Virgin Climate Change Fund may invest in. This confirms the fund manager's choice of B and E.
	B	1.64%	
	C	4.71%	
	D	5.12%	
	E	6.31%	
	F	6.85%	
Heavy	G	9.01%	The companies in the heavier half are those the Virgin Climate Change Fund is unable to invest in until their footprint positions them in the lighter half. The green filter would reject H at this stage.
	H	9.75%	
	I	11.24%	
	J	20.35%	
	Average	7.58%	

Working with Trucost – global environmental benchmark provider

Trucost is a global environmental research organisation which helps companies and investors understand the environmental impacts of business activities. Widely regarded as the benchmark provider of environmental footprint data, Trucost has analysed over \$300bn of assets in more than 600 individual funds. In 2006 Trucost was commissioned to write the UK Government's environmental reporting guidelines for business.

Trucost has a database of the environmental impacts and disclosures of over 4,000 companies, with the world's largest record of greenhouse gas emissions. It analyses company emissions and natural resource efficiency. Trucost presents these in financial as well as quantity terms to help fund managers and analysts understand how environmental issues could affect companies' future earnings.

Leading fund managers, such as GLG, use the information to compare companies in a given sector and identify stocks with superior environmental performance.

Fund charges

Our fees are a 1.75% annual management charge, plus a performance related fee.

To earn our performance fee, every six months the fund has to increase in value and beat two key benchmarks:

1. The Bank of England base rate.
2. The unit price at the start of the six months* – our High Water Mark (HWM).

When we do succeed, our fee is 20% of whatever out-performance we deliver, above the Bank of England rate.

For example, say the Bank of England rate is 0.5% per annum (or 0.25% over six months) and we grow the fund by 2.25% over that six month period. That's 2% out-performance, of which we get 0.4% and the fund gets 1.6%. Add back on the Bank of England rate, leaving your client's fund with 1.85% growth overall. That's roughly how it works.

Once the HWM goes up, that becomes our new benchmark, incentivising us to constantly out-perform it every six months. If we don't beat our last HWM and the Bank of England rate, we don't earn a performance fee. And if the unit price at the start of the six months is lower than the previous HWM, the previous HWM will continue to apply.

*If the unit price fell during the previous six months, we carry forward an earlier HWM. If your client bought more units half way through the six months, we set the High Water Mark for those units at the price you bought them.

Over to you

The Virgin Climate Change Fund is currently available for ISA and unit trust investments, as well as PEP and ISA transfer business.

The minimum initial investment is £500 or regular monthly savings of £50.

To find out more visit:

virginmoney.com

Available on:

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