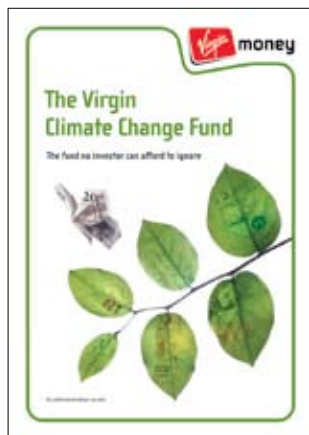


# Virgin Climate Change Fund



PERFORMANCE 31 AUGUST 2008



## Fund description

The Virgin Climate Change Fund is long only and targets companies with a lighter-than-average environmental footprint. This is based on our expectation that damage costs associated with environmental pollution that are currently external to most companies' P&Ls will be forced by regulators and legislators to be internalised. This should give a competitive advantage to "lighter" companies. The strategy is based on three main components. 1) Stocks in the GLG European Equity Fund are put through a "Green Filter", which restricts holdings to those that have a lighter than average environmental footprint in their sector, based on data from Trucost plc, the environmental consultancy. This will typically account for 75-100% of the weightings in the Virgin Climate Change Fund. 2) The "Solution Adopters". Companies that are world leaders in seeking and adopting ways to minimise their footprint. This may account for up to 15% of the Fund. 3) The "Solution Providers". Companies that own the intellectual property for the solutions to environmental problems, including the Alternative Energy stocks. This may account for up to 10% of the Fund.

2008	HISTORICAL NET PERFORMANCE (%)													CUMULATIVE NET RETURN	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	(8.37%)	MSCI*
	2.40	2.56	(0.14)	2.17	3.77	(10.92)	(7.92)	0.47					(8.37)		(7.54)

\*MSCI Daily TR Net Europe Index (loc) since inception on 18 January 2008  
Source: GLG Partners LP



## Monthly comment

**Pierre Lagrange**  
Senior Portfolio Manager



The Virgin Climate Change Fund was up 0.47% despite giving back ground compared to its benchmark, which had a short term rally. Following the market inflection point on 15 July, we saw the continuation throughout August of major reversals in nearly all the trends that had worked up to the inflection point, notably in Materials and Oil vs Financials and in the earnings momentum factor.

The majority of negative stock selection contribution came from the Energy,

Materials and Capital Goods sectors, perhaps unsurprisingly since these were some of the most affected sectors as noted. Within Materials, we suffered from our holding in Uralkali, the Russian potash stock, where the Russian risk premium spike on the Georgia situation hurt it. Xstrata was weak on a mooted bid for Lonmin at a 42% premium, but the fundamentals for coal remain robust. We are nevertheless reducing our holding on the stock as it is now stuck short term. Elsewhere, Imperial Tobacco has been adversely affected by the UK smoking ban in public places, and has not yet been able to offset volume weakness by its structural ability to raise prices. We expect a reversal of negative sentiment on the stock once they deliver on price increases.

At the sector level, we lost ground versus the benchmark principally through our overweight position in Materials, which we have reduced due to the commodities sell off. Sentiment on Chinese growth (and commodity end demand) has deteriorated as the PMI has weakened and electricity generation growth has slowed. It is too soon to say that this is the end of the Chinese growth story though. By October we should see some data unaffected by the Olympics and will get a better read. For now, after strongly negative price action, we remain overweight in the sector (13% weighted versus a benchmark weight of 9%), with most of our overweight

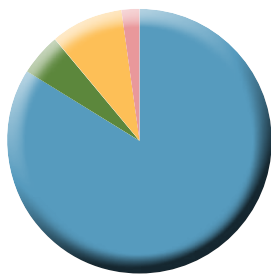
position in fertilisers where we see little demand destruction in any scenario.

The other major changes in position during the month included closing out our longstanding underweight position in the European Banks sector. Whilst we expect further earnings pressure we are concerned about the relative valuation of the sectors historically and to the markets. We also fear the problems are now so systematic that we will get stronger policy response, making an underweight position very difficult to manage; we are instead reducing late cycle industrials who could suffer more from the spreading of concern from the financial to the "real" economy. We have also reduced Insurance and Capital Goods to an underweight position, the latter as a late cycle sector which could now see major order book deferrals. This money has been reallocated to the more defensive Utilities sector.

In the Solution Adopters and Providers strategies we have reduced our exposure to capital goods. We have also taken profit on some stocks such as Suez Environment and GDF Suez toward the end of the month. Our footprint was in line with our targets as the Virgin Fund was 38.22% lighter than the market.



## STRATEGY ALLOCATION



<span style="color: orange;">■</span> SOLUTION PROVIDERS STRATEGY	<b>9%</b>
<span style="color: green;">■</span> SOLUTION ADOPTERS STRATEGY	<b>5%</b>
<span style="color: red;">■</span> CASH	<b>2%</b>
<span style="color: blue;">■</span> EUROPEAN EQUITY LIGHT FOOTPRINT	<b>84%</b>

Source: GLG Partners LP

## LARGEST CLEAN EUROPEAN EQUITY

COMPANY	INDUSTRY	% OF FUND
BG Group Plc	Energy	6.73%
Enel Spa	Utilities	6.12%
HBOS Plc	Financials	5.45%
Telenor ASA	Communications	5.24%
Prudential Plc	Financials	4.93%
Arcelormittal	Basic Materials	4.69%
Roche Holding AG	Consumer, Non-Cyclical	4.69%
Banco Santander SA	Financials	4.46%
Sika Finanz AG	Industrial	3.99%
RAB Capital Plc	Financials	3.57%
Societe Television Francaise 1	Communications	3.56%
Grifols SA	Consumer, Non-Cyclical	3.56%
Demag Cranes AG	Industrial	3.54%
AMEC Plc	Industrial	3.10%
Hansen Transmissions Intl	Utilities	2.79%

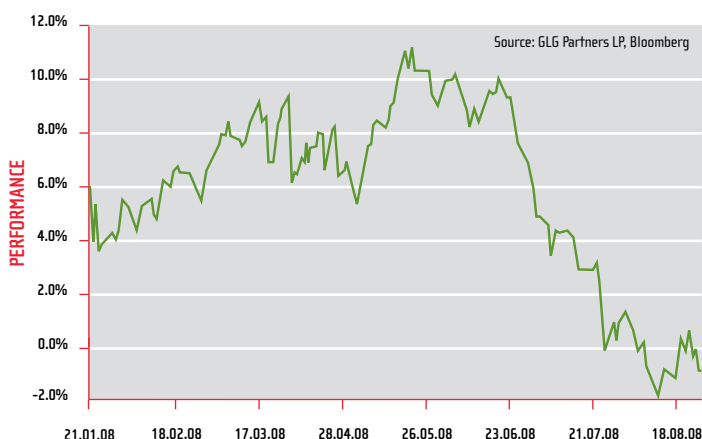
## LARGEST ADOPTERS / PROVIDERS

SOLUTION ADOPTERS	INDUSTRY	% OF FUND
Andritz AG	Industrial	1.67%
Electricite De France	Utilities	1.48%
Electricidade De Portugal	Utilities	0.96%

SOLUTION PROVIDERS	INDUSTRY	% OF FUND
Uralkaliy	Basic Materials	2.90%
Israel Chemicals Limited	Basic Materials	2.04%
Fischer (Georg)	Consumer, Cyclical	1.73%

Source: GLG Partners LP

## PERFORMANCE RELATIVE TO MSCI EUROPE INDEX



Our aim is to have a 30%-50% Lighter Environmental footprint vs. MSCI Europe Index

MSCI EUROPE  
3.14%

CLEAN EUROPEAN EQUITY STRATEGY  
1.94%

BETTER BY  
38.22%

Chart shows GLG's calculation of MSCI Europe Index and the Clean European Equity strategies environmental footprint using Trucost data. The environment footprint is the annual damage cost divided by market capitalisation.

Source: GLG Partners LP

## Main characteristics

**INCEPTION:**  
18 Jan 2008 at £1

**CURRENCIES:**  
GBP

**DEALING DAY:**  
Daily

**DIVIDEND POLICY:**  
Non-distributing

**DOMICILE:**  
UK

**LISTING:**  
Not listed

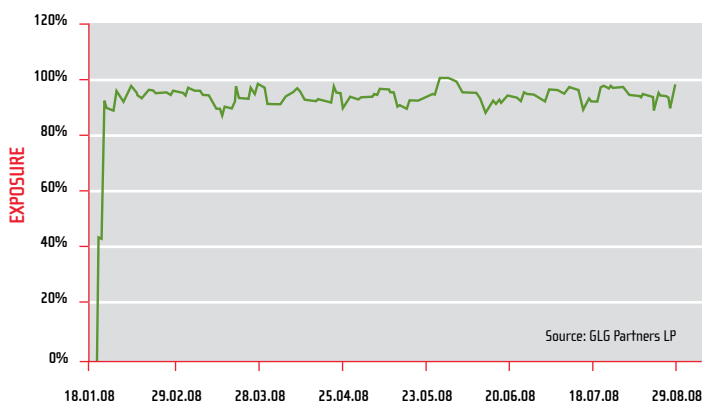
**REDEMPTION NOTICE:**  
1 business day

**MANAGEMENT FEE:**  
1.75% per annum

**PERFORMANCE FEE:**  
20% over BoE base rate

**MINIMUM INVESTMENT:**  
£500 lump sum or £50 monthly

## EXPOSURE AS % OF CAPITAL



This document has been prepared by Virgin Money Personal Financial Service Limited who are authorised and regulated by the Financial Services Authority ("FSA"). Performance data of Virgin Money Funds is not based on audited financial data. Past performance may not necessarily be repeated and is no guarantee or projection of future results. This information does not constitute tax advice. Investors should consult their own independent advice with regard to their tax situation.