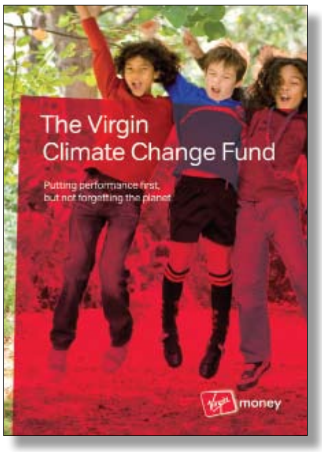
Virgin Climate Change Fund

Virgin money

PERFORMANCE 31 DECEMBER 2008



Fund description

The Virgin Climate Change Fund (the "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) The GLG European Equity Fund put through a "Green Filter" which restricts holdings to stocks 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% 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 between 10-15% of the Fund; and 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 10% of the Fund.

2008	Historical Net Performance (%)												Year to date	Cumulative Net Return
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
	2.40	**2.56**	**(0.14)**	**2.17**	**3.77**	**(10.92)**	**(7.92)**	**0.47**	**(18.03)**	**(19.60)**	**(7.70)**	**4.97**	**(41.49)%**	MSCI* **(32.30)%**

**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 rose by 4.97% during December, whilst the benchmark MSCI Europe Index rose by 0.69%. The Fund closed the year down 41%, while the MSCI Europe fell 32%. All of the damage to relative performance occurred in the second half of the year, during which there was a major rotation from Cyclicals into Financials initially, swiftly followed by another rotation from Materials and Financials into Defensive stocks generally. 85% of our underperformance between late June and the end of the year was attributable to stock selection, with the balance attributable to sector selection.

Performance Analysis 2008: For stock selection, three main factors contributed to underperformance: first, we did not strike the right balance in our consideration of the macroeconomic factors for owning stocks versus our stock specific rationale; second, there was a high degree of correlation of stocks within sectors, meaning that mistakes were compounded and therefore punished disproportionately; and third, our views simply turned out to be incorrect in some cases. For example, we sought to profit from falling stock prices for Materials stocks but had not taken sufficient account of the widespread deleveraging out of the most widely owned equities by institutional managers and so lost money.

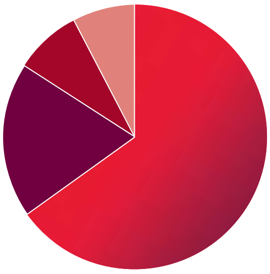
Nearly two thirds of our stock selection losses occurred in just two sectors - Materials and Diversified Financials. In these areas we had underestimated the degree of operating leverage inherent in the business models of some of our favourite stocks. Within Materials, our positions in the potash stocks (Uralkaliy and Israel Chemical) traded, in our view, away from their industry fundamentals. Capacity has been cut back to support prices, which remained firm despite nearly all other commodity prices collapsing in Q3-4. However while the fundamentals remained reasonably strong, the emerging market sensitivity of the stocks hurt them, as did political intervention from the Russian government which imposed a fine on Uralkaliy for a mine flooding that happened three years ago. This made the stock uninvestable despite its having fallen by 50% in two days. We removed the position at a substantial loss.

At the sector selection level, half of the underperformance was attributable to an overweight in Materials which we held on to for too long in the summer. At that point, we felt that the infrastructure growth and what we saw as emerging market economic decoupling would support commodity demand. We also believed that China would re-accelerate after the industrial production shut-downs around the Olympics. Both of these views turned out to be incorrect. We were also too lightly weighted in some of the defensive areas in the early summer, which we corrected by late August.

Over 2008 Solution Adopters and Solution Providers positively contributed to performance by about 1.8%. In late November / early December, our main move in these two strategies was to initiate a position in ABB as we decided to overweight the Capital Goods sector, believing it had been oversold. From a financial perspective we like ABB for its balance sheet – it has net cash – and as a play on power infrastructure, with proposed annual savings of $1bn to be launched and details to be communicated in February. ABB is also an environmental player and more specifically a grid efficiency player which is a key theme for both utilities and governments.

Footprint: Our footprint was in line with our targets as the Fund was 30% lighter than the market at month end.

Strategy Allocation



CASH	6%
SOLUTION PROVIDERS STRATEGY	8%
SOLUTION ADOPTERS STRATEGY	15%
EUROPEAN EQUITY LIGHT FOOTPRINT	71%

Source: GLG Partners LP

Largest Clean European Equity

COMPANY	INDUSTRY	% OF FUND
Imperial Tobacco Group PLC	Consumer, Non-Cyclical	4.66%
Vivendi	Communications	4.39%
Telefonica SA	Communications	3.82%
Muenchener Rueckversicherungs	Financial	3.69%
France Telecom SA	Communications	3.70%
Sanofi-Aventis	Consumer, Non-Cyclical	2.78%
E.on AG	Utilities	2.77%
Nokia OYJ	Technology	2.57%
Total SA	Energy	2.45%
BG Group plc	Energy	2.37%
Banco Santander sa	Financial	2.27%
Intesa Sanpaolo	Financial	2.21%
BHP Billiton plc	Basic Materials	2.17%
Royal Dutch Shell plc	Energy	2.08%

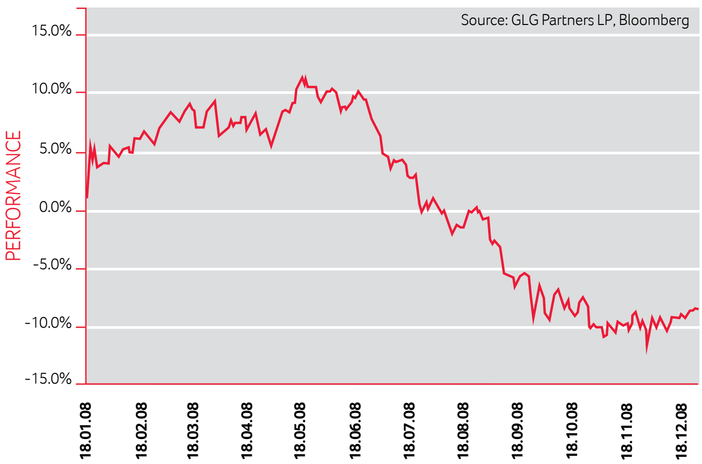
Largest Adopters / Providers

Solution Adopters	Industry	% of Fund
Nestle SA	Consumer, Non-Cyclical	3.42%
Vodafone Group PLC	Communications	3.37%
Novartis AG	Consumer, Non-Cyclical	2.90%

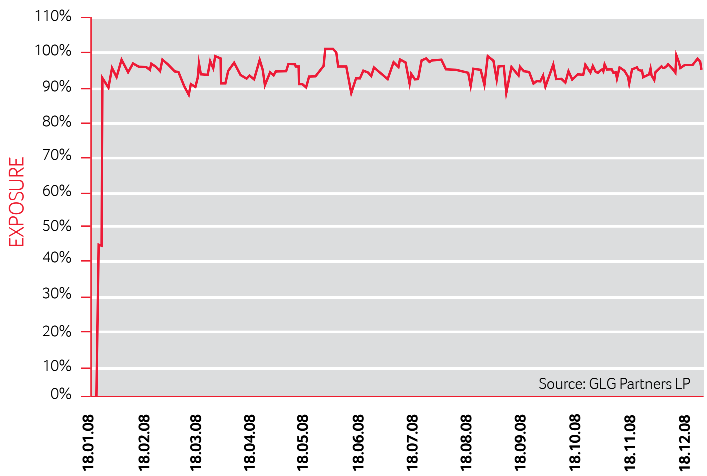
Solution Providers	Industry	% of Fund
Endesa SA	Utilities	2.43%
Autonomy Corporation PLC	Technology	1.46%
Andritz AG	Industrial	0.49%

Source: GLG Partners LP

Performance relative to MSCI Europe Index



Exposure as % of Capital



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

MSCI EUROPE 2.89%

CLEAN EUROPEAN EQUITY STRATEGY 2.02%

BETTER BY 30%

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