



## 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.

	Historical Net Performance (%)												Year to date	Cumulative Net Return
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
<b>2008</b>	<b>2.40</b>	<b>2.56</b>	<b>(0.14)</b>	<b>2.17</b>	<b>3.77</b>	<b>(10.92)</b>	<b>(7.92)</b>	<b>0.47</b>	<b>(18.03)</b>	<b>(19.60)</b>	<b>(7.70)</b>	<b>4.97</b>	<b>(41.49)%</b>	MSCI* <b>(32.30)%</b>
<b>2009</b>	<b>(3.81)</b>	<b>(8.24)</b>											<b>(11.74)%</b>	MSCI** <b>(9.12)%</b>

\*MSCI Daily TR Net Europe Index (loc) since inception on 18 January 2008 Source: GLG Partners LP  
 \*\*MSCI Daily TR Net Europe Index (loc) 1 January 2009 to 27 February 2009: GLG Partners LP

## Monthly comment

Pierre Lagrange  
Senior Portfolio Manager



The Virgin Climate Change Fund ("the Fund") fell by 8.24% during January, whilst the benchmark MSCI Europe Index fell by 9.12%.

The breakdown in global equity markets continued apace in February, with European equities falling over 8% on the month. The key event was when the new US Treasury Secretary, Tim Geithner, disappointed markets on 10 February with his comments on the proposals for securing the US financial and consumer lending sectors. Generally, our perception is that the new administration has had six months to think through what its response should be, but we have been disappointed by the lack of clarity and detail as to how the various schemes will work and more importantly when they will start to disburse funds. We also have our doubts as to whether any plan can work on any reasonable time horizon, given the overwhelming burden of debt in G7 economies. More likely, we believe, we face a multiyear grind of low growth as consumers and eventually governments repair their balance sheets.

The Fund outperformed the MSCI Europe Index (local currency) by 88bps on the month, bringing year-to-date outperformance to 294bps. For a second consecutive month, stock selection added to excess returns, as did sector selection, meaning that both main drivers of excess return over the medium-long term are again adding value to the portfolio. We continued to increase stock-specific risk in order to seek to benefit more strongly from our successful stock selection.

Breaking out attribution in more detail, stock selection added 38bps to relative return in the month, with particularly strong positive contributions from Energy, Pharma, Financials and IT sectors. Our best stock contributions came from the following names:

➤ Tullow Oil, which benefited from an apparent stabilisation in the oil price and the perception among sell-side analysts that its strong balance sheet (it raised £400m in a secondary equity offering in late January) mark it out as the quality play in the E&P sector.

➤ Royal Bank of Scotland, in which we bought a small (1.0%) position ahead of the UK Asset Protection Scheme details being announced on 26 February and which benefited from what were seen as favorable terms for the government guarantee on losses beyond the first 6.25% of the £325bn injected into the scheme.

Some of our stock calls were not so successful. Our position in Lloyds Banking Group suffered after earnings disappointed and we lost money relative to the benchmark in CRH and Imperial Tobacco (which recapitalised via a bond issue). We initiated new positions in Novo Nordisk, and Synthes-Stratec. We closed positions in Nestle and BP.

From a sector perspective, our underweight in Financials generally worked well, as did our underweights in Materials and Autos. On the negative side, we lost performance from our underweight in Energy (which we have since closed back towards benchmark weight) and our underweight in Telcos.

We were very active this month, making two moves to reduce cyclical exposure after the short rally the cyclicals had between December and late January. We cut Capital Goods from an overweight to an underweight, and did the same with Materials, adding in the more defensive Energy, Utilities and Food Retail sectors. The rationale behind this move was our new perception that the expected uptick in the US leading indicators, especially the ISM, would likely peter out faster than we had initially thought. On 2 March, the February reading showed an anaemic rise, which was far smaller than the more normal robust rally off the lows that this indicator usually displays.

On our watch list for global deflation, we continue to see deceleration / outright contraction of credit outstanding around the world ex China, the banks continuing to delever and investors continuing to sell equity. In addition, earnings estimates have fallen very rapidly in the last few months but, despite a 30% fall in the 2008 IBES consensus base estimate compared to where it was estimated in early 2008, the 2009 IBES consensus estimate is still for just a 1% fall in index earnings for MSCI Europe. We believe this may be as much as 30% too high. On our preferred

longer-term valuation measure, the Shiller PE (today's price / trailing ten year average earnings), the US market is still 13x PE, where historical troughs have been below 10x, so we believe that valuation on its own provides no support for equities yet.

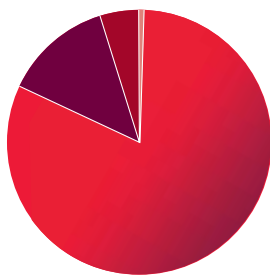
Finally, our factor exposures are tilted towards growth stocks, with high relative price momentum, high dividend cover and high free cashflow yield. Our largest overweight stock positions are also relatively defensive, with BG, Imperial Tobacco, Unilever, Sanofi and Bayer all among our top ten overweight positions relative to benchmark.

In Solution Adopters, the most notable addition to the portfolio was a new position in SAP, on a low mid-teens PE valuation which is extraordinarily low by historical standards and in the electric infrastructure sector. We also added Snam Rete Gas in Italy which is an infrastructure utility that owns and operates the vast majority of the Italian gas transmission network. The combustion of natural gas produces 25-30% less carbon dioxide compared with petroleum products and 40-50% less compared with coal, for the same energy input. In 2007, the use of natural gas in Italy (where Snam is the quasi sole gas distributor) as an alternative to coal and petroleum products in power stations, in industrial plants and in the residential/commercial and automotive sectors prevented the emission into the atmosphere of approximately 116 million tonnes of carbon dioxide, 727,000 tonnes of sulphur dioxide, 123,000 tonnes of nitrogen oxides and 51,000 tonnes of particulate. In the meantime, as we reduced capital goods names, we reduced the position in ABB. We also took some profit in Vodafone.

In Solution Providers, we increased our position in Autonomy, whose results surprised positively once again. Autonomy positively pre-announced earnings then followed up with a very strong margin performance when they reported results. The stock was also supported by its inclusion in the MSCI Europe Index. Finally, the company made an accretive acquisition of US software group Interwoven. We remain very bullish on Autonomy, believing that increased regulation in the financial services industry will make its earnings highly defensive and that this is not captured in a multiple of 15x this year's earnings.

Overall, at month end, the Fund's footprint was 43.33% lighter than the market and in line with our target.

## Strategy Allocation



CASH	0.73%
SOLUTION PROVIDERS STRATEGY	4.63%
SOLUTION ADOPTERS STRATEGY	13.39%
CLEAN EUROPEAN EQUITY STRATEGY	81.25%

Source: GLG Partners LP

## Largest Clean European Equity

COMPANY	INDUSTRY	% OF FUND
BG Group Plc	Energy	4.96%
Unilever NV	Consumer, Non-cyclical	3.94%
Total SA	Energy	3.90%
Colruyt NV	Consumer, Non-cyclical	3.64%
Tesco Plc	Consumer, Non-cyclical	3.63%
Sanofi-Aventis	Consumer, Non-cyclical	3.55%
Vivendi	Communications	3.30%
Imperial Tobacco Group Plc	Consumer, Non-cyclical	3.16%
Muenchener Ruckversicherungs	Financial	2.92%
E.ON AG	Utilities	2.82%
Telefonica SA	Communications	2.77%
Tullow Oil Plc	Energy	2.52%
Fresenius Medical Care	Consumer, Non-cyclical	2.29%
Nokia OYJ	Technology	2.11%
Credit Suisse Group	Financial	2.06%

## Largest Adopters / Providers

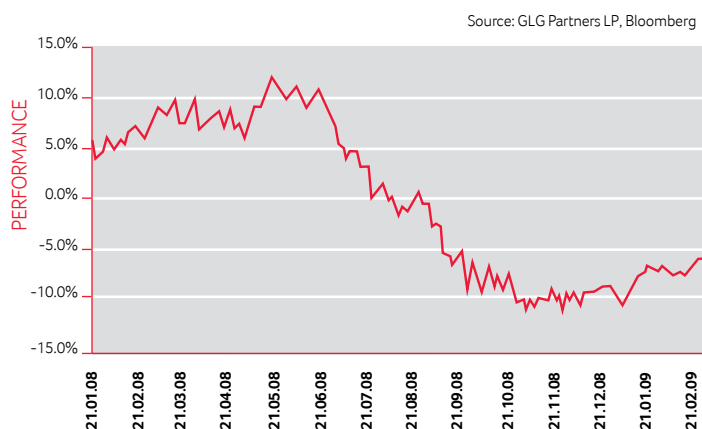
SOLUTION ADOPTERS	INDUSTRY	% OF FUND
Vodafone Group Plc	Communications	3.92%
Bayer AG	Basic Materials	2.61%
Novartis AG	Consumer, Non-cyclical	2.19%

SOLUTION PROVIDERS	INDUSTRY	% OF FUND
Autonomy Corporation Plc	Technology	3.04%
Ceres Power Holdings Plc	Utilities	0.61%
Gamesa Copr Technologica SA	Industrial	0.51%

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  
2.94%

CLEAN EUROPEAN EQUITY STRATEGY  
1.66%

BETTER BY  
43.33%

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

