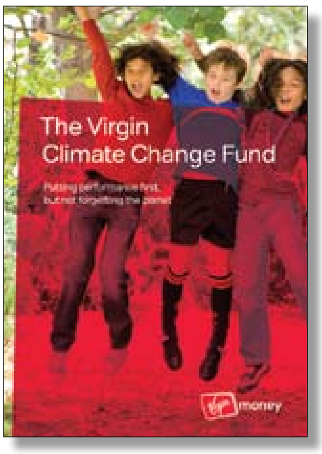
Virgin Climate Change Fund

Virgin money

PERFORMANCE 31 MARCH 2009



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		
2008	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)%
2009	(3.81)	(8.24)	0.31										(11.47)%	MSCI 3.67%

*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 ('the Fund') was up by 0.31% during March, whilst the benchmark MSCI Europe Index was up by 3.67%.

March was another rollercoaster month for equity markets, with the MSCI Europe index falling 8% in the first 10 days before rallying nearly 12% to end the month up 3.67%. The key event was again political, with US Treasury Secretary Geithner's announcement on 23 March of the Public Private Investment Program (PPIP), which had been rumoured earlier. This time the market welcomed the announcement, with Financials especially rallying on the perception that the PPIP is the most interesting and bank-friendly measure seen so far in this reflation effort. Meanwhile in the real economy leading indicators either stabilised or rose, with the Chinese PMI now up from 39 to 49 in three months and the US ISM up from 33 to 36 since December. The Merrill Lynch Fund Manager survey for March again confirmed the very defensive positioning of the consensus in terms of sector weightings. These factors together contributed to a significant rotation out of defensive sectors into Financials and to a lesser extent industrial cyclicals.

The Virgin Climate Change Fund rose 31 bps on the month, but was 336 bps behind the MSCI Europe local currency total return index. This performance incorporated a couple of days of sharp underperformance around the turning point of the market in the middle of the month as our defensive core portfolio lagged the sharp rally.

We adapted to the news on the PPIP by raising our weighting in Financials by 2% in the month, adding to our positions in HSBC and Credit Suisse, and we also closed out our underweight in Materials, adding nearly 5% to our positions there.

Our attribution by risk factor showed negative contributions mainly from stock selection (-273 bps) especially from Energy and Banks. Among our worst performers on the month in Banks was HSBC which disappointed with its results announced early in the month and a rights issue resulting in some technical selling pressure. However, we view this as arguably the best-capitalised bank in the world, with no government ownership or moral claim, and therefore as being in a very strong position to exploit the weakness of its peers. This is not reflected in the stock's small premium to book, in our view. Resolution fell sharply after the announcement of an FSA inquiry into the sale of Resolution 1 to Pearl Assurance Group, but has since been bouncing back nicely. Stock selection also had its winners especially in the Auto and Oil and Gas sectors. Fiat was one of the best performers benefiting from a relative recovery of the Auto sector with sales starting to rise in China (+25% in Feb) and even in Germany (+21% in Feb), from more clarity on the Chrysler deal and finally from their Brazil operations which have proven more resilient than investors thought. Tullow Oil was also strong on further new oil finds.

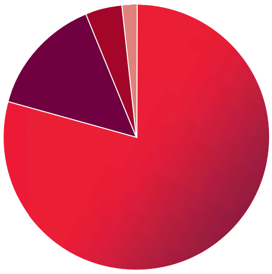
The portfolio has shifted to one that should outperform if value outperforms growth if volatility declines, and if earnings revisions start to matter less – i.e. if the market starts to look through earnings downgrades.

This is the sort of regime change that has started to occur and we believe will gain momentum if there are signs of stabilisation in the real economy. After two quarters of negative 6% US real GDP growth (Q4 08 and Q1 09) we feel it likely that the quarter on quarter annualised GDP numbers could surprise positively in the coming one or two quarters, given that expectations are for no recovery until the fourth quarter and into 2010. Not that we are bullish about the economy, it is simply that the fall in industrial production since July of last year has been so intense (11% for the US, 34% for Japan), and the inventory correction so sharp, that the stimulus programmes around the world are likely to have at least a short term effect on growth. This has the capacity to surprise a market that remains resolutely bearish and defensively positioned.

On the environmental solutions front, we closed our positions in solar and wind names as the fundamentals of these industries are still fragile (supply overcapacity, demand or technological delays, and financing issues) and further downside risk is expected. China's solar subsidy announcement at the end of the month could bring some support but we do not expect it to have a material impact yet. In the meantime, we added Alstom which we believe will be more resilient than its peers as both its power generation and rail transport operations should benefit from global stimulus and environmental regulatory support. As power generation represents 40% of global emissions, Alstom offers a wide range of clean power systems and services such as Alstom steam turbines which allow up to 60% enhanced plant efficiency and profitability. Since rail transport represents only 25% of the CO_2 emissions from the aviation industry and 50% of those from road travel, it should also benefit.

At month end, the Fund's footprint was 47.3% lighter than the market and in line with our target.

Strategy Allocation



CASH	2.1%
SOLUTION PROVIDERS STRATEGY	3.64%
SOLUTION ADOPTERS STRATEGY	14.85%
CLEAN EUROPEAN EQUITY STRATEGY	79.41%

Source: GLG Partners LP

Largest Clean European Equity

COMPANY	INDUSTRY	% OF FUND
Sanofi-Aventis	Consumer, Non-cyclical	4.47%
BG Group Plc	Energy	4.37%
Credit Suisse Group	Financial	3.60%
Telefonica SA	Communications	3.48%
GDF Suez	Utilities	3.46%
Unilever NV	Consumer, Non-cyclical	3.28%
Tullow Oil Plc	Energy	3.06%
Vivendi	Communications	3.01%
Colruyt NV	Consumer, Non-cyclical	2.90%
BNP Paribas	Financial	2.73%
Total SA	Energy	2.54%
Glaxosmithkline	Consumer, Non-cyclical	2.22%
Muenchener Rueckversicherungs	Financial	2.13%
Fresenius Medical Care	Consumer, Non-cyclical	2.07%
Novo Nordisk AS	Consumer, Non-cyclical	1.99%

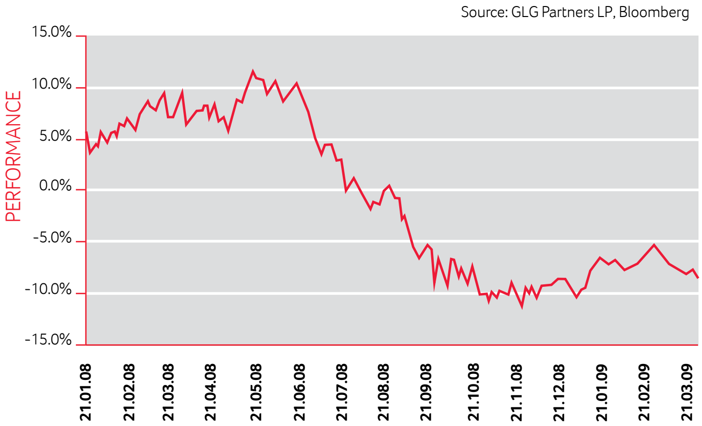
Largest Adopters / Providers

SOLUTION ADOPTERS	INDUSTRY	% OF FUND
HSBC Holdings Plc	Financial	4.80%
Vodaphone Group Plc	Communications	3.37%
Alstrom	Industrial	1.88%

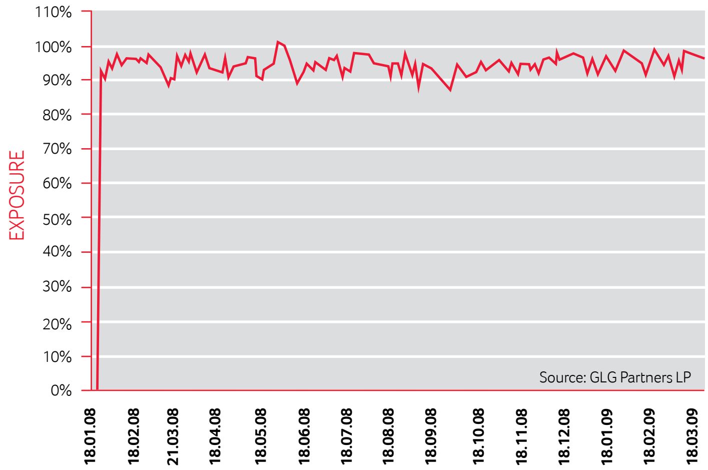
SOLUTION PROVIDERS	INDUSTRY	% OF FUND
Autonomy Corporation Plc	Technology	2.40%
Electricite de France	Utilities	0.60%
Ceres Power Holdings Plc	Utilities	0.55%

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
2.95%

CLEAN EUROPEAN EQUITY STRATEGY
1.56%

BETTER BY 47.30%

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

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