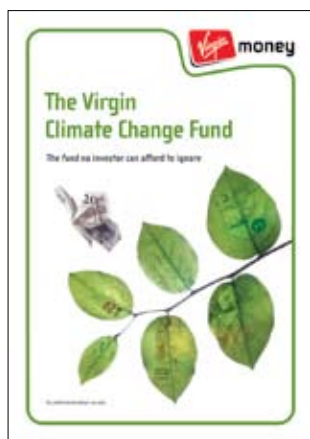


# Virgin Climate Change Fund

PERFORMANCE 31 OCTOBER 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 |      |         |         |     |     | [39.61%] |       |          |
|------|--------------------------------|------|--------|------|------|---------|-----------------------|------|---------|---------|-----|-----|----------|-------|----------|
|      | JAN                            | FEB  | MAR    | APR  | MAY  | JUN     | JUL                   | AUG  | SEP     | OCT     | NOV | DEC | YTD      | MSCI* | [29.44%] |
|      | 2.40                           | 2.56 | (0.14) | 2.17 | 3.77 | (10.92) | (7.92)                | 0.47 | (18.03) | (19.60) |     |     | (39.61)  |       |          |

\*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") fell by 19.60% during October, whilst the MSCI Europe Index fell by 13.49%. The Fund underperformed the MSCI Europe benchmark by 6.11% on the month. We have taken substantial action to mitigate this adverse effect, notably by reducing our forecast tracking error and by reducing the scale of our single stock positions, with now only eight positions over 3% of NAV.

The Materials sector alone contributed nearly a quarter of the total negative contribution from stock picking. Our positions in potash stocks, Uralkaliy and Israel Chemical, fell sharply along with a generalised move by institutional investors out of the commodity sectors. This was despite strong results from Uralkaliy and capacity cuts across the industry, which should support prices. Stocks such as Amec and Tullow suffered from the oil price correction to a larger extent than the integrated majors. Amec, being more exposed to high-cost upstream developments, was replaced in the portfolio by BP and Royal Dutch Shell.

Exceptionally poor market liquidity also impacted us in other mid-caps such as Sika in Materials, Club Med and Hansen Transmission in Leisure and Capital Goods respectively. Having reached fair value on Hansen in September we started to sell the position but decided to hold off closing it outright as it started to show significant upside again, having fallen so hard. Other stocks remain

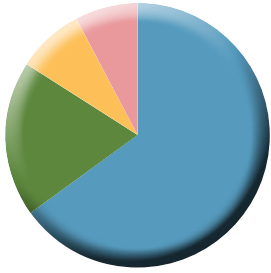
fundamental holdings and have shown resilience since the market trough.

Stock picking contributed positively to performance in Financials, Food, Beverage & Tobacco and Technology and across individual names such as Banco Santander, EdF and Astrazeneca.

In both the solution adopters and providers strategies we increased our exposure across sectors, favouring defensive sectors such as Telecoms and Utilities with Vodafone and Endesa. In the meantime, as we were going into earning season, we decided to reduce or cut positions that were facing a potential earnings revision downside such as Andritz. Mid month we took the opportunity to buy some names that we have been monitoring for a long time such as Autonomy. Autonomy is a software company and an environmental player as it provides infrastructure technologies to automate management, processing and delivery of information across virtual channels, which in essence allows operational efficiency and cost reduction through virtualisation and dematerialisation tools.

Finally, our footprint was in line with our targets as the Fund was 48.15% lighter than the MSCI Europe Index.

## STRATEGY ALLOCATION



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

Source: GLG Partners LP

## LARGEST CLEAN EUROPEAN EQUITY

| COMPANY                      | INDUSTRY               | % OF FUND |
|------------------------------|------------------------|-----------|
| Credit Suisse Group          | Financial              | 4.54%     |
| BG Group PLC                 | Energy                 | 4.20%     |
| Astrazeneca PLC              | Consumer, Non-cyclical | 4.15%     |
| BNP Paribas                  | Financial              | 3.98%     |
| Total SA                     | Energy                 | 3.33%     |
| Enel Spa                     | Utilities              | 3.22%     |
| Zurich Financial Services AG | Financial              | 2.47%     |
| Nokia OYJ                    | Technology             | 2.43%     |
| Vivendi                      | Communications         | 2.39%     |
| DNB NOR ASA                  | Financial              | 2.35%     |
| Essilor International SA     | Consumer, Non-cyclical | 2.27%     |
| Telefonica SA                | Communications         | 2.24%     |
| Royal Dutch Shell PLC        | Energy                 | 2.21%     |
| UBS AG-Registered            | Financial              | 2.20%     |
| France Telecom SA            | Communications         | 2.13%     |

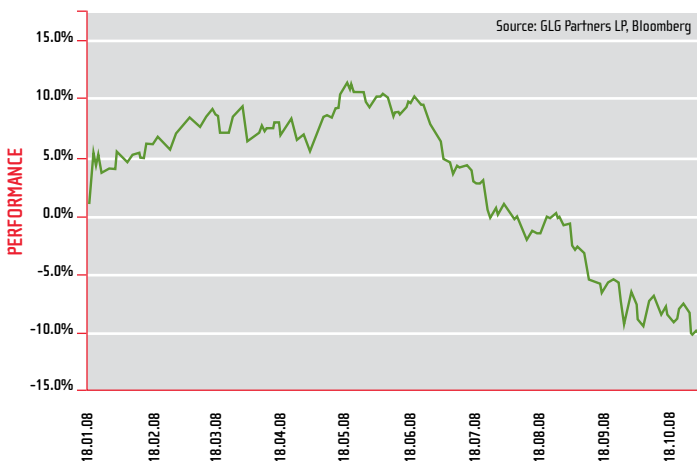
## LARGEST ADOPTERS / PROVIDERS

| SOLUTION ADOPTERS  | INDUSTRY               | % OF FUND |
|--------------------|------------------------|-----------|
| Novartis AG        | Consumer, Non-cyclical | 5.31%     |
| Nestle SA          | Consumer, Non-cyclical | 3.82%     |
| Vodafone Group PLC | Communications         | 2.70%     |

| SOLUTION PROVIDERS       | INDUSTRY        | % OF FUND |
|--------------------------|-----------------|-----------|
| Electricite de France    | Utilities       | 2.53%     |
| Uralkaliy                | Basic Materials | 1.78%     |
| Autonomy Corporation PLC | Technology      | 1.03%     |

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  
2.97%

CLEAN EUROPEAN EQUITY STRATEGY  
1.54%

BETTER BY  
48.15%

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

