

UK-authorized unit trust

Fund owner: Virgin Money

Fund manager/adviser: GLG Partners

### Named portfolio manager/adviser(s):

Pierre Lagrange (since launch), Ben Funnell (since launch), Jason Mitchell (since June 2010)

Peer group: European Mainstream incl UK Equities

Location: London

Launch date: January 2008

Fund size (November 2010): £43.5m

Contact group: +44 8456 10 20 20 or www.virginmoney.com

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)



Report date January 2011

### Investment style

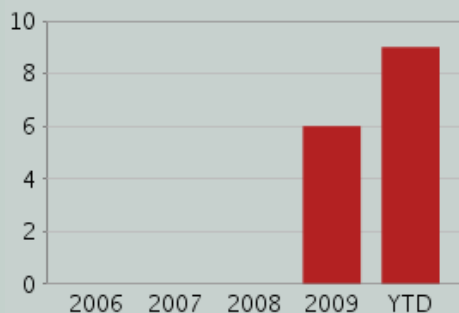
	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

### Performance statistics

	Launch
Fund	-36.7%
Standard & Poor's peer median	-11.2%
Index**	-8.6%
Fund rank	2045/2061

Note: returns are cumulative

### Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2010 Lipper Inc. All rights reserved. All statistical data on this report has been run to 29 October 2010 on NAV to NAV basis, with gross income reinvested, in EUR.

### Standard & Poor's opinion (January 2011)

Virgin Climate Change Fund invests predominantly in European companies, applying an environmental stock filter aimed at reducing the carbon footprint of the portfolio by at least 30% against the MSCI Europe index. Management of the fund is outsourced to GLG, the starting point being GLG European Equity Fund.

Pierre Lagrange leads the stock selection for the GLG European Equity Fund, making use of macro input from Ben Funnell. A stock filter that analyses each European Equity Fund holding by carbon footprint, based on data provided by Trucost, selects about 75% of the Virgin Climate Change portfolio. The other 25% is chosen by Jason Mitchell, who leads on sustainable investing at GLG.

Mitchell re-joined GLG in April 2010. He was previously with the group from January 2004 to October 2008, when he managed a global long/short telecommunications and media fund, achieving a strong track record (see performance section overleaf). He replaced Adeline Diab, bringing a more investment-driven approach to sustainable investing.

The fund lagged the benchmark index in 2008 and 2009 partly because of the underlying European equities selection (GLG European Equity Fund suffered its only two years of underperformance since launch in 1999) and also because the environmental overlay detracted. Mitchell's more investment-driven approach has seen the fund return to outperformance over the six months since he became a co-manager.

Given the strong long-term track record of GLG in European equities prior to 2008 and the recovery in the fund's performance since Mitchell became co-manager, the Virgin Climate Fund comfortably retains its S&P A (New) rating.

### Fund manager & team

GLG was founded in September 1995 and is one of Europe's largest investment houses, with around \$25bn under management. Pierre Lagrange is GLG's head of European equities and Ben Funnell's main focus is on the macro environment. They are supported by GLG's 30-strong European equities team. Jason Mitchell leads on sustainable investing at GLG.

Pierre Lagrange - MA (Solvay Business School, Brussels), began his investment career working for JPMorgan in government bond trading before joining Goldman Sachs in 1989, where he managed global equity portfolios for six years. He was co-founder of GLG Partners in 1995 (as a division of Lehman Brothers) and GLG Partners LP in September 2000 and is head of European equities for both long/short and long-only funds.

Ben Funnell - modern languages (Durham University), spent eight years as European strategist at Morgan Stanley, where he focused on asset allocation, before joining GLG Partners LP in May 2006.

Jason Mitchell - English literature (University of California, Berkeley), started with Andersen Consulting in 1995 before moving to Montgomery Securities in 1996 as a technology M&A analyst. In 1998 he joined CSFB as a TMT analyst. From January 2004 to October 2008 he was a TMT portfolio manager at GLG, re-joining the group in April 2010. He also advises the UK Government's Commonwealth Business Council on water and renewable energy projects in Sub-Saharan Africa.

### Management style

The fund aims to outperform the MSCI Europe index while targeting a carbon footprint at least 30% lighter.

Using data from Trucost, an environmental data provider, the team has created a filter that analyses companies based on several factors, such as nuclear waste, CO2 emissions and use of natural resources. It assigns environmental costs accordingly.

The filter is applied to all the stocks in the GLG European Equity portfolio and gives an environmental damage cost for each stock, expressed as a percentage of revenue. GLG compares that cost with the average damage cost for all the companies in the relevant sector and if a stock's footprint is lighter than average it is considered for inclusion in the Virgin Climate Change Fund.

About 75% of the portfolio comes directly from the filter. The other 25% is discretionary, and chosen by Jason Mitchell. These are typically companies implementing best practice in environmental impact (solution adopters), while representing profitable investment opportunities, and those actually providing environmental solutions.

# VIRGIN CLIMATE CHANGE FUND

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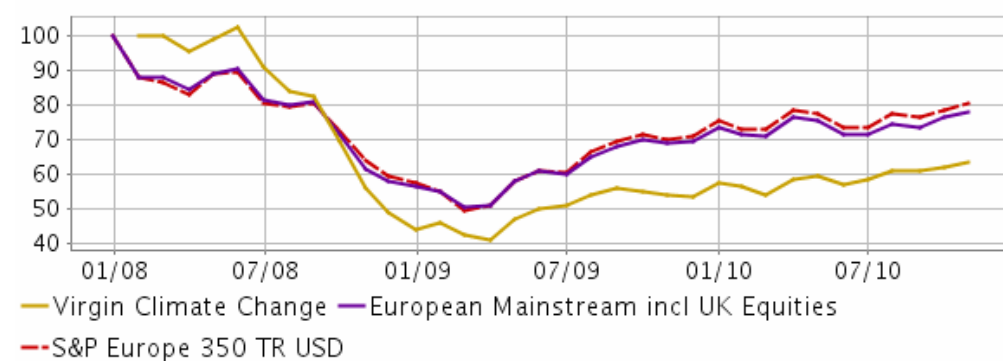
## Portfolio & performance analysis (November 2010)

At review, the fund held 53 stocks - down from 61 at last our last review in February 2009. New joint portfolio manager, Jason Mitchell, who has discretion over 25% of the portfolio, is aiming to get the number down to 45-50. Portfolio turnover remains high because he has brought in some new ideas and sold out of some of the lower-conviction positions.

Mitchell brings a more investment-driven approach to the fund. In contrast with other environmental specialist team members he has prior experience managing money. He used to manage a global telecom and media long/short equity portfolio for GLG from January 2004 to October 2008, achieving calendar-year returns of 12% in 2004, 27% in 2005, 24% in 2006, 31% in 2007 and -5% over the year to October 2008.

After underperforming the benchmark MSCI Europe index in 2008 and 2009 (although it was just above the European equities peer group median), the fund's performance has improved since Mitchell took over the sustainability role. Over the year to November 2010, it has returned 10.8% against the S&P Europe 350 index's 6.2%. Underperformance in 2008 and 2009 was partly due to GLG's underlying weak European stock selection. The GLG European Equities Fund, which has an overlap with this fund's portfolio of about two-thirds, also lagged for the first time since launch in 1999. This fund's underperformance was more severe than for the GLG European Equities Fund because the stock selection of the previous environmental specialist detracted.

## Cumulative performance



## Discrete performance (calendar years)

	2009		YTD 29/10/2010	
	%	Rank	%	Rank
Fund	19.6	4.3	-42.8	32.1
Index**	18.5	1.3	-43.9	29.7
Median				

\*\* S&P Europe 350 EUR

Fund benchmark: MSCI Europe

Share class screened: GB00B29KGH36 (Acc)

# STANDARD & POOR'S



## Portfolio characteristics (1 November 2010)

No. of holdings	53
Turnover ratio (%)	200
% in top 10	43

## Asset allocation

	%
Consumer discretionary	12.2
Consumer staples	10.5
Energy	6.0
Financials	15.5
Healthcare	10.3
Industrials	27.6
Materials	13.4
Telecommunication services	2.0
Cash	2.5

## Top 10 holdings

	%
Novozymes	5.2
British Airways	4.6
Danisco	4.4
Elektro	4.4
Umicore	4.4
Lloyds Banking Group *	4.3
Novo Nordisk	4.2
Metso	4.0
Hennessy Louis Vuitton	3.8
Volkswagen	3.7

\* In top 10 holdings a year ago

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## Symbols and definitions

### Long-only fund ratings

**AAA** The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**AA** The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**A** The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-funds ratings

#### Absolute return fund ratings

#### Specialist fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

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### Ucits III flexible beta fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

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### All fund ratings

**Not Rated (NR)** Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

**Under Review (UR)** Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

**(New)** Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

**Tenure Review (TR)** The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

**Long-term fund management rating LTFMR** The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

**V1** Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

**V2** Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

**V3** Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

**V4** Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

**V5** Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

**V6** Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.