STANDARD & POOR'S

INVESTMENT STYLE

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

SOURCES ALPHA

	Low	Medium	High
Asset/geographic allocation		▬	
Sector positioning		▬	
Stock selection			▬
Currency overlay	▬		
Quantitative strategies	▬		
Derivative strategies	▬		

Please see page 2 for required research analyst certification disclosure.

VIRGIN CLIMATE CHANGE FUND

Virgin Money
UK-authorised unit trust
Report Issued: March 2008

Specialist

Fund Manager/Adviser:
Pierre Lagrange (since launch),
Ben Funnell (since launch)
Location:
London
Launch Date: January 2008
Fund Size (March 2008):
£14m

Fund benchmark:
MSCI Europe
Group Contact No:
+44 8456 10 20 20
Website:
www.virginmoney.com
S&P ID Number: ABC577
Share class screened:
Ord

STANDARD & POOR'S A FUND MANAGEMENT RATING

Further information on S&P's fund coverage can be found at www.funds.standardandpoors.com

STANDARD & POOR'S OPINION (MARCH 2008)

The Virgin Climate Change Fund invests in European companies that have a lighter environmental footprint than their industry peers. Virgin have out-sourced fund management to GLG, one of Europe's largest alternatives managers. GLG also manages long-only funds and has a strong track record on its European Equity Fund, outperforming the MSCI Europe Index every year since launch in February 1999.

The fund's experienced managers, Pierre Lagrange and Ben Funnell, also manage the GLG Environment Fund, which has outperformed the MSCI Europe index by 10% since launch in January 2007. They will manage the Virgin fund similarly, with the support of a team of 18 sector analyst/managers. Lagrange is co-founder of GLG with 25 years' investment experience. He has also managed the GLG European Equity Fund from launch.

Portfolio construction is driven by an environmental filter (applied to the GLG European Equity Fund's stock list) that targets a footprint that is at least 30% lighter than the MSCI Europe in total. Inputs that help determine company footprints come from external consultant Trucost, with adjustments made according to what GLG's analysts learn from meetings with company managers. This element of the process is led by dedicated environmental analyst, Adeline Diab.

GLG's strong track record in European equities and success with the similarly managed GLG Environment Fund bode well for the Virgin Climate Change Fund. Charges on the product (1.75% management fee plus 20% of performance over the Bank of England Base rate) appear high. However, Virgin say that they will keep administrative expenses low at around 6bps, giving a reasonably competitive overall TER. Moreover, the management fee is lower than for the GLG Europe and Environment funds, which have still provided excellent net returns to investors. Given this, the managers' experience and support from a strong team, the fund achieves an S&P A (New) rating.

FUND MANAGER & TEAM

GLG was founded in September 1995 and is one of Europe's largest hedge fund/alternatives managers with around $24bn funds under management. This includes benchmark-aware, long-only funds, which represent about half of total assets managed.

The team comprises two fund managers, Pierre Lagrange and Ben Funnell, and a dedicated environmental analyst, Adeline Diab. They are supported by the European equity team, which comprises 18 sector analyst/portfolio managers.

Pierre Lagrange - MA (Solvay Business School, Brussels), began his investment career working for JP Morgan 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.

Adeline Diab - worked as an analyst at the World Bank and HSBC Investments, where she specialised in climate change and SRI, before joining GLG Partners LP in September 2007.

VIRGIN CLIMATE CHANGE FUND

Peer Group: Specialist Equity

STANDARD & POOR'S A FUND MANAGEMENT RATING

PORTFOLIO CHARACTERISTICS

No. of holdings	60
Turnover ratio (%)	N/A
% in top 10	38

TOP 10 HOLDINGS (01/03/08)

	%
BG	5.6
Kuehne and Nagel International	4.9
Allianz	4.6
Sika Finanz	4.3
Porsche	3.4
Man	3.2
Deutsche Boerse	3.1
Vendanta Resources	3.0
ABB	2.9
Lafarge	2.9

** In top 10 holdings a year ago*

ALLOCATION BREAKDOWN (01/03/08)

	Fund %
European Equity Light Footprint	85
Solution Adopters Strategy	6
Solution Providers Strategy	6
Cash	3

MANAGEMENT STYLE

- The fund's investment objective is to outperform the MSCI Europe index while targeting a footprint that is at least 30% lighter.

- At the core of its process is the primarily bottom-up analysis used in the group's European Equity Fund, which applies a multi-factor approach, including fundamental, technical and behavioural factors. GLG and Virgin also see the potential for outperformance from the focus on low footprint companies, with higher footprint companies facing increasing pressure to internalise their cost to the environment in future.

- Using data from Trucost, an environmental data provider, the team has created a filter that analyses companies across 705 variables based on several factors, such as nuclear waste, CO_2 emissions and use of natural resources, and 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 then compares that cost with the average damage cost for all the companies in the relevant industry sector and if a stock's footprint is lighter than average it is then considered for inclusion in the Virgin Climate Change Fund.

- Environmental sub-strategies for portfolio construction include: 75-100% of the portfolio will comprise stocks coming through the filter, 0-15% will be companies implementing best practices in terms of environmental impact, and 0-10% will be invested in companies actually providing environmental solutions.

- "Solution adopters" are found following in-depth qualitative analysis during the initial screening process and must meet all the normal valuation and performance criteria. The "solution providers" are usually discovered at the same stage following any specific issues highlighted by the Trucost research and are typically clean technology with high volatility.

- Unlike the GLG Environment Fund, derivatives will not be used to re-balance sector weightings in line with the European Equities fund after applying the environmental filter.

- We are reassured that previous concerns surrounding internal procedures and risk controls have been tightened since 2005.

PORTFOLIO & PERFORMANCE ANALYSIS (JANUARY 2008)

The fund was launched in the middle of January 2008, and has returned 5.0% to the end of February. The MSCI Europe Index returned -2.1% over the first two months of 2008. The fund's outperformance of over 7% benefits from the fund becoming fully invested close to the end of the equity markets sell-off and in time for the rally from the beginning of February. There was also a benefit from the euro's appreciation versus sterling, since currency hedging had not yet been put in place.

The Virgin Climate Change Fund is managed in line with the GLG Environment fund, but without the use of derivatives.

Initial returns for the GLG Environment Fund have also been strong, outperforming the MSCI Europe by 7.0% from launch to December 2007.

The team's longer track record on the European Equities Fund, operating without the "green" filter, is impressive, outperforming the MSCI Europe index by at least 4% every calendar year since its inception in February 1999.

The allocation of the fund at the beginning of March 2008 was dominated by the Clean European equity portion (85%). The current sector exposure is overweight autos, construction and materials, financial services and industrial goods, and underweight banks, healthcare, chemicals, utilities and telecoms. The low weightings in solution adopters and providers (6% in each) reflects the managers' caution on these higher volatility segments currently.