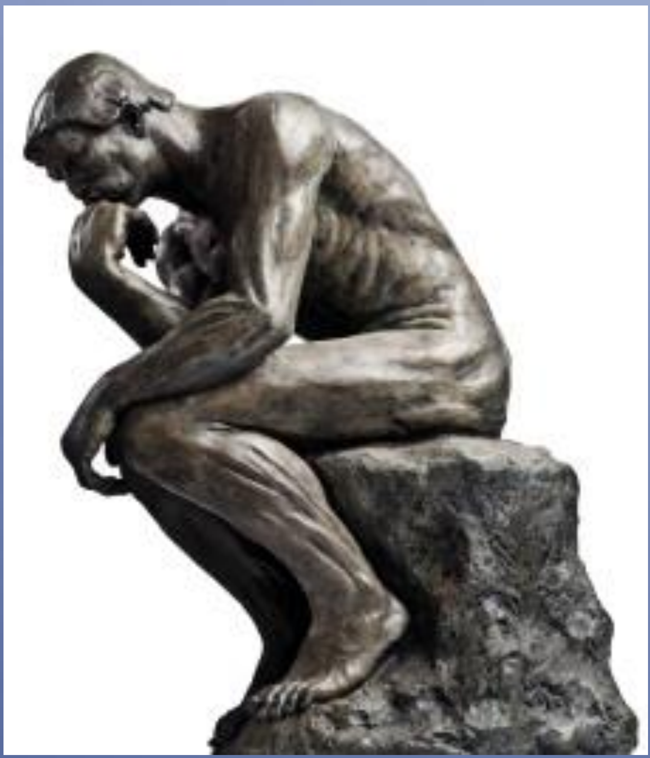

Fund Bites

GLG Technology Equity Fund

The GLG Technology Equity Fund is not part of our portfolios however technology plays a key part in many of the funds we invest in. This “fund bites” is a summary of the recent meeting we had with the fund manager, Phil Pearson.

Introduction

Technology is a fascinating area and one that carries much debate in this office. This discussion was a fascinating opportunity to talk this through with an investment expert who knows this market well.

In his view the market is complex with a great deal of uncertainty. To overcome this he looks to use probability envelopes and adopts a cut discipline to protect against the downside risk.

Before looking at the style and talking about the opportunities in technology it is worth considering the different stages of technology development and effective creative destruction. In a period of 40 years there have only been three major developments:

Mark 1 – mainframe to the PC (1986 – 1992) – the move to personal computing

Mark 2 – closed to open networks (1995 – 2000) – the birth of the internet

Mark 3 – fixed to mobile connectivity (2008 - ?) – the birth of the Mobile Internet Device (MID)

Within these stages vast companies can be destroyed, between 1986 and 1992 IBM lost its share value every year as its power of monopoly disappeared as Microsoft took share and grew every year between 1992 and 1999.

Today we have the battle with Apple, his argument is more about Android vs the Apple Operating Environment and this in his view is more difficult to call. Effectively it is a 50 / 50 bet as to who will win and therefore Apple could be a loser in the next stage or they could be a winner and this is what he highlights as a world of uncertainty and he prefers to look for certainties.

The Fund

The fund is managed by Phil Pearson and Anthony Burton. It is an experience team coming into the market in the mid 90's. Seeing the TNT boom and bust, and rebuild.

We talked in detail about what the opportunities are today. What Phil and Anthony are looking are predictable outcomes and these in their view fall into six camps – ARM Camp, Arms Dealers, Social Media, Content Camp, Ecosystem Camp and PC Camp.

If we take the PC Camp the view is that they will be losers in this current phase. Netbook growth has declined from 20% p.a. growth to negative growth since the iPad launch. Tablet units are expected to surpass notebook units in 2013.

The likes of Intel, Dell, and Hewlett Packard are likely to be those who lose in this current phase and therefore would not necessarily form part of the portfolio.

The Ecosystem Camp is hard to call and can fall two ways. Effectively this is the "don't know" camp. We hear about the battle between Apple and Samsung and really this is the Android battle – what is certain is that someone will win and someone will lose. Who that is is very uncertain.

If we look at the ARM camp we start to see predictability so for example it costs $125 to purchase a chip from Intel. Qualcomm can produce chips based on ARM technologies for

$20. This is visible and therefore highlights what the future holds but not necessarily the outcome in terms of the winners. So it is about the team finding the companies they believe will benefit from this area.

Another area of interest is content so those with film / entertainment / sports content rights and distribution. It is becoming increasingly clear that if you control these you will be a winner in this new phase. Potential winners are the likes of Walt Disney, Netflix, ITV, Perform and Amazon.

So the fund is looking for predictability and not looking to second guess an unknown. For this reason it has a low weighting to Apple and higher weightings to the likes of ARM Holdings, Qualcomm and Taiwan Semiconductor.

Although they feel certain about areas they still believe in fundamental stock picking when looking for the potential winners. There is no strict benchmark adherence, no geographic or sector constraint and concentrated investments.

Stock picking relies on fundamental and market analysis. So a mixture of data overlays each other to provide arbitrage between market perception and reality.

The managers took over the fund in 2009 and this approach has enabled them to outperform the benchmark and keep volatility low. Phil believes that now in particular is a sweet point for technology investing and there are considerable opportunities.

Conclusion

We would never say never however a number of the funds we hold have holdings across these stocks. What this meeting demonstrated was the importance of understanding the market and the opportunities.

It is also about picking your winners, and where there is uncertainty reducing your risk.

Clearly this style has benefited the fund and we will continue to monitor this, and if we believe this is a sector which the portfolio could benefit from then we may consider reviewing this fund against others in the sector.

The source of information in this note has been provided by GLG and is correct as at 24 April. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase this fund. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.