GTI GLOBAL THEMATIC INVESTORS

QUARTERLY LETTER TO SHAREHOLDERS IN THE P&C GLOBAL THEMATIC INVESTORS FUND NOVEMBER 2010

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WHERE THERE'S MUCK, THERE'S BRASS

Let's start this Letter with a quiz question: which human activity, part of one of 8 GTI global themes,

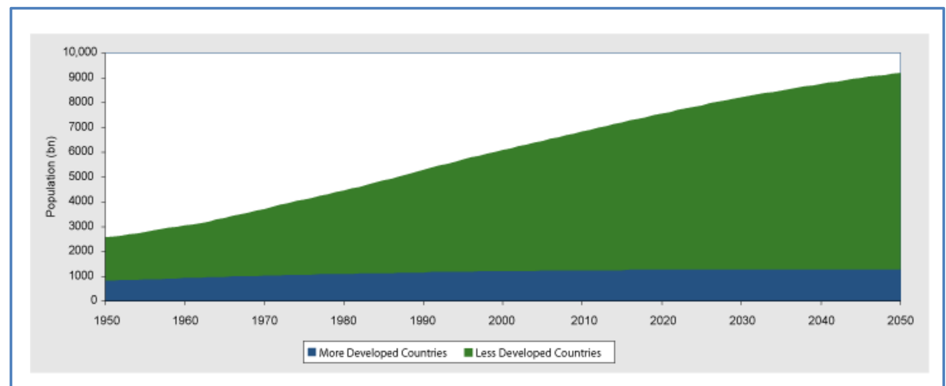
1. Makes modern civilisation possible,
2. Is carried out full time by 1/3 of the planet, and
3. without it, the other two-thirds face extinction?

No, it's not the internet, video games or television.

We're writing about farming, part of GTI's *"Supply Inelasticity"* theme. Agriculture –a much maligned activity these days amongst the urban elites- puts meat, two veg and a healthy drink on the table for the nuclear family. It enabled mankind to move onto more interesting things like the Renaissance, the Industrial Revolution, the internet, playing the stock market and going on the Atkins Diet.

But here's where it gets scary. The world is now eating more food than farmers grow, and global grain stocks are at their lowest level in 30 years. As global population pushes up to 9bn from 6-7bn, global food production needs to increase by nearly 50% by 2030 –that's only 20 years away- and by 70% by 2050 to feed the new mouths, equivalent to one new United Kingdom every year.

Projected Global Population Growth (1950-2050)



Source : US Census Bureau

The good news for farm producers is that these new consumers aspire to a western style diet, high in protein from meat, not high-carb rice, and meat needs a whole lot of grains to produce (8.3 kgs of feed to produce 1kg of meat).

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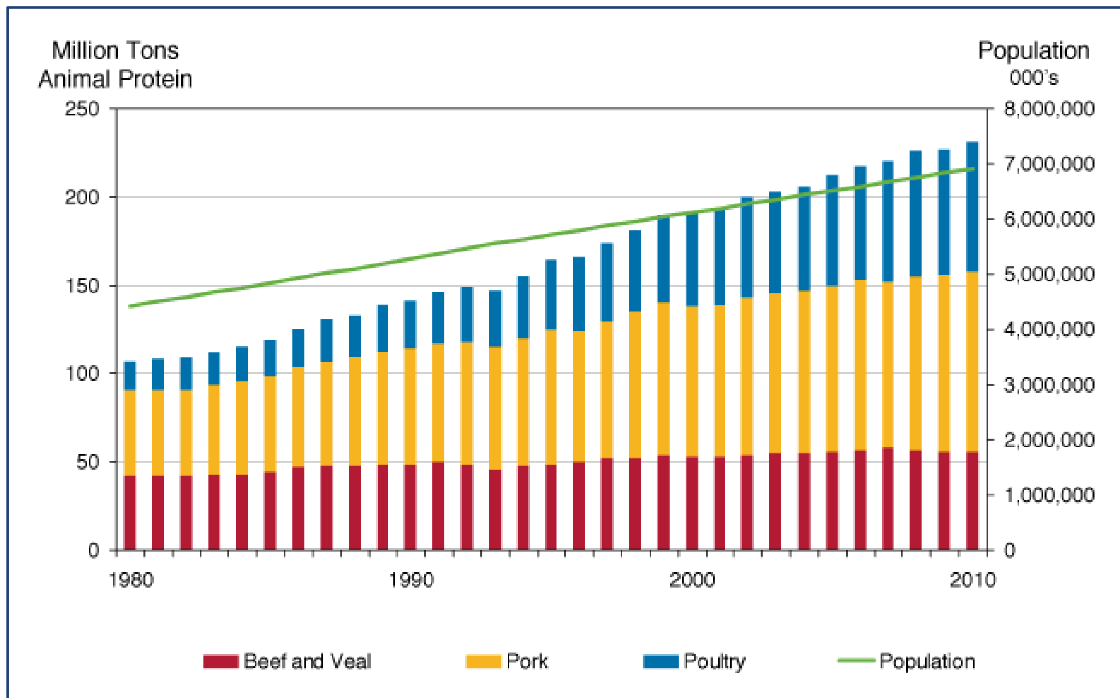
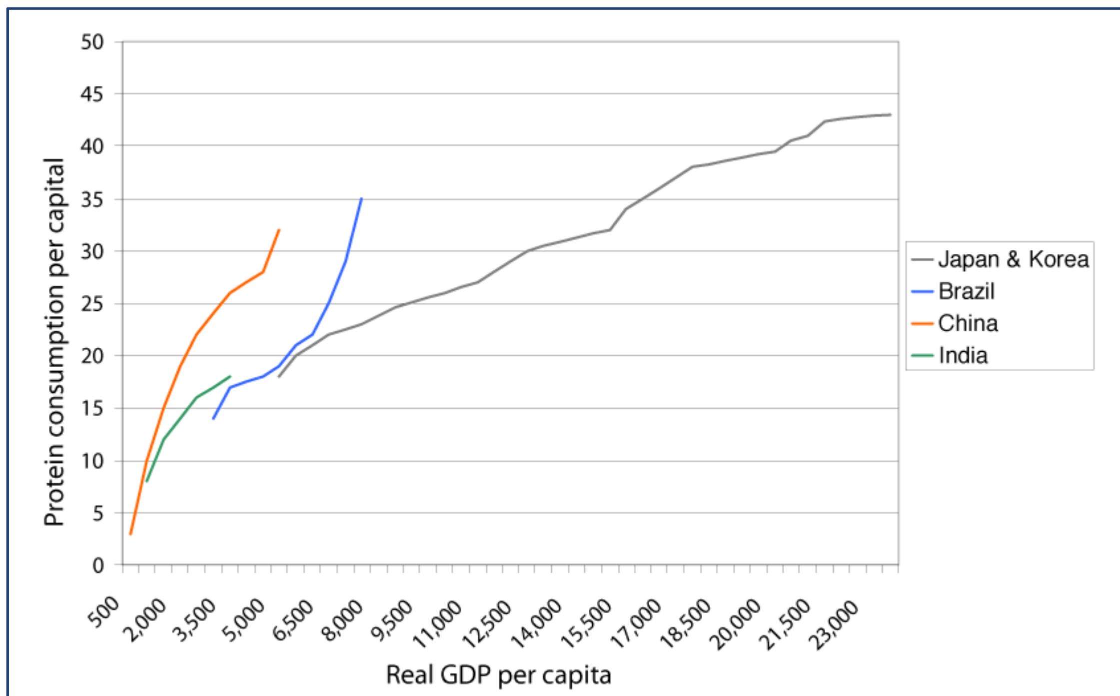
Population & Diets driving grain consumption



Source : Rabobank

Protein consumption grows as income increases, or at least this is what happened in the past:

Rising Protein Consumption when Income Increases



Source : FAO and Goldman Sachs Commodities Research

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The dramatic increase in demand for meat, and grain to grow it, gives rise to more strident analysis. The Earth Policy Institute (EPI), a Washington-based non-governmental organisation, (modest tagline: *"Providing a Plan to Save Civilization"*) claims that the earth's bubble economy has already over-consumed the Earth's natural capital. Nowhere is the bubble economy more evident than in the food sector where the world grain harvest has been inflated by over-pumping aquifers, a practice that virtually guarantees a future drop in production when aquifers are depleted. EPI say hunger is a stark reality for more than 850 million people, including 300 million children. And should 2 to 3 billion people eventually leave the bread and rice queue for the meat queue -as GTI believes-we've really got a problem.

Planting the seeds of his own destruction?.

This is why agriculture is an essential part of GTI's *Supply Inelasticity* theme. The process of feeding hungry mouths with higher protein food –that's what those extra two billion people crave- is irreversible and, like all our GTI themes, long term. To mix metaphors, once you've pigged out on steak, you don't give a fig for steamed rice.

Oh no, not rice pudding again!

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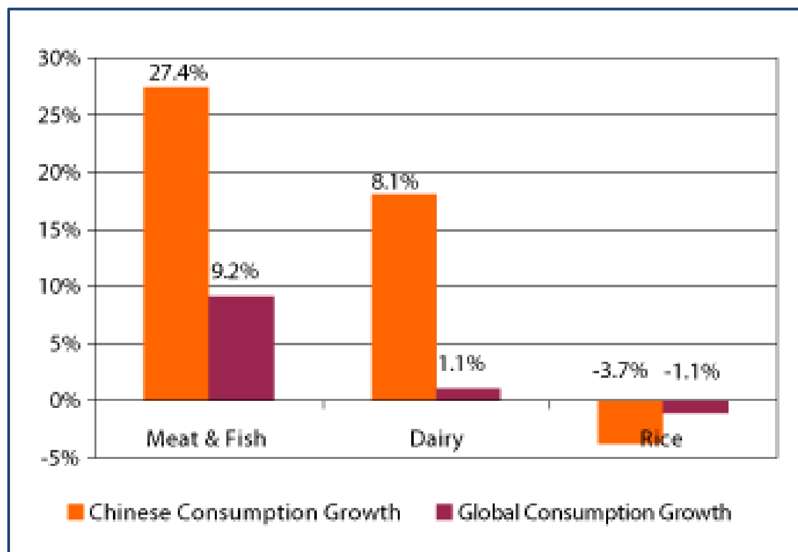
In fact, oddly enough, rice might even be one of the losers in this whole equation:

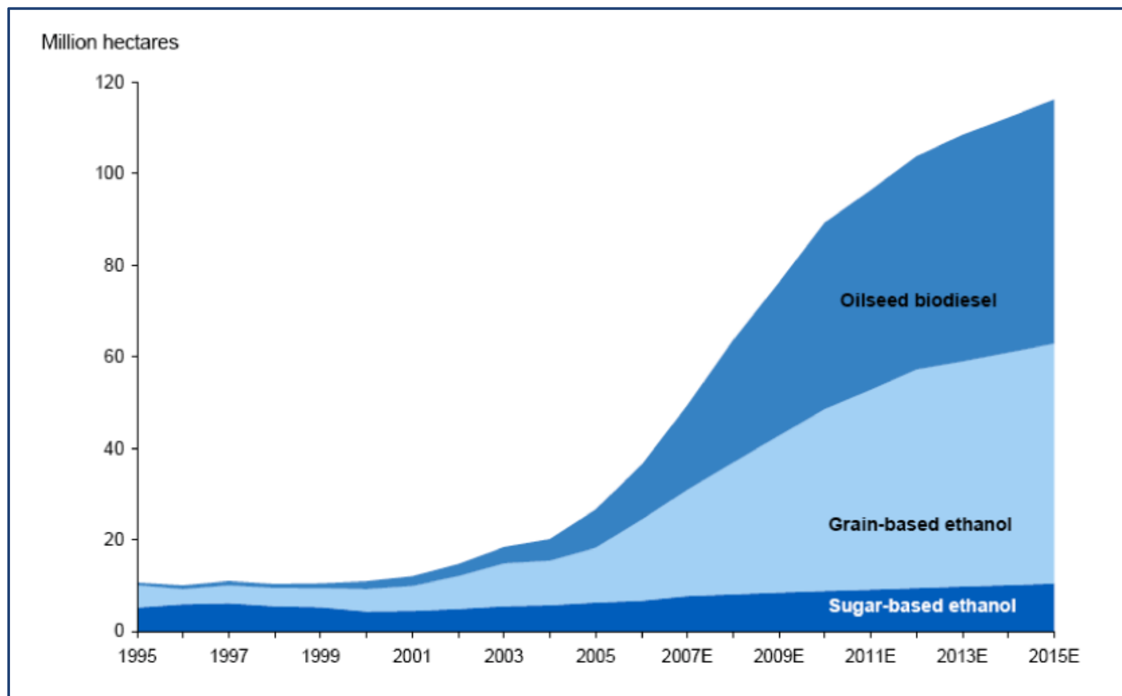
Projected Chinese Consumption of Foodstuffs



Source : UN ESCAP, UBS Estimates December 2007

And all the while, demand is mushrooming for ethanol production as the world tries to achieve bio diversity, reducing the amount of arable land available for *feeding people*.

Projected Land use for Ethanol Production



Source : USDA and Goldman Sachs Commodities Research

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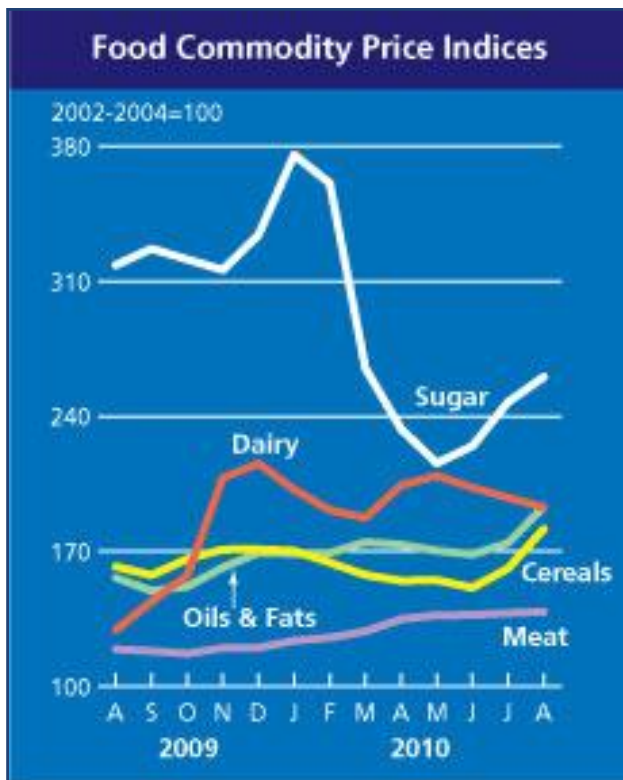
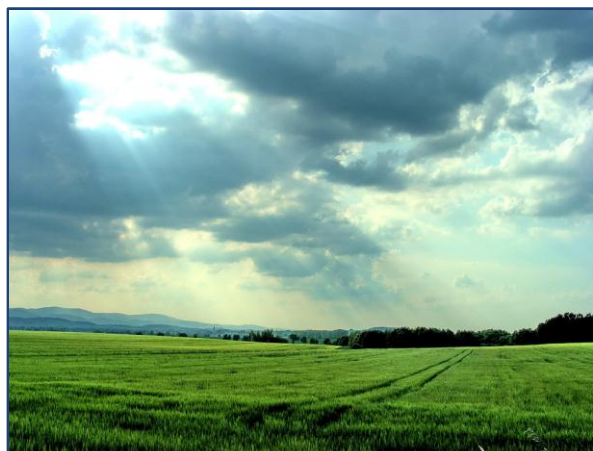


Source FAO

The result of all this is that agricultural prices, after the trauma of 2008, are now clearly "on the up".

Yes, even before Potash Corporation, which we featured in our Q1 newsletter, was bid for by BHP Billiton, we've slightly "got religion" over agriculture. We liked this year's 50% Potash profits in our fund, but we like Potash's sector even more.

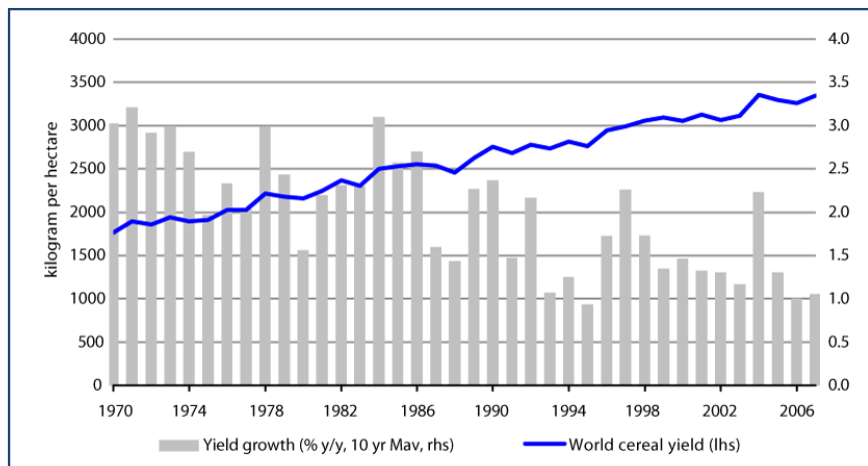


Green Field Sights For The Agro-Converts

The Three Horsemen of The Agro-Pocalypse

So it's clear that there are 3 sources of this extra agricultural ***demand***: dietary improvements through growing affluence, global population growth and bio fuels production.

Slowdown in Global Cereal Yield Growth



Source : FAO, ISAAA (Int'l Service fr the Acquisition of Agri-biotech Applications), Credit Suisse research

These on their own might be considered enough to propel the agriculture sector onto the front page of every Asset Allocators wish-list.

But in fact it's on the ***supply*** side that the agriculture story gets really interesting. We thank Blackrock Investment Management (UK), who have an excellent agriculture fund, in which some of our clients have invested, for the chart, at left. The first bullish supply factor is a slowdown in yield improvement due to the law of diminishing returns in technology application.

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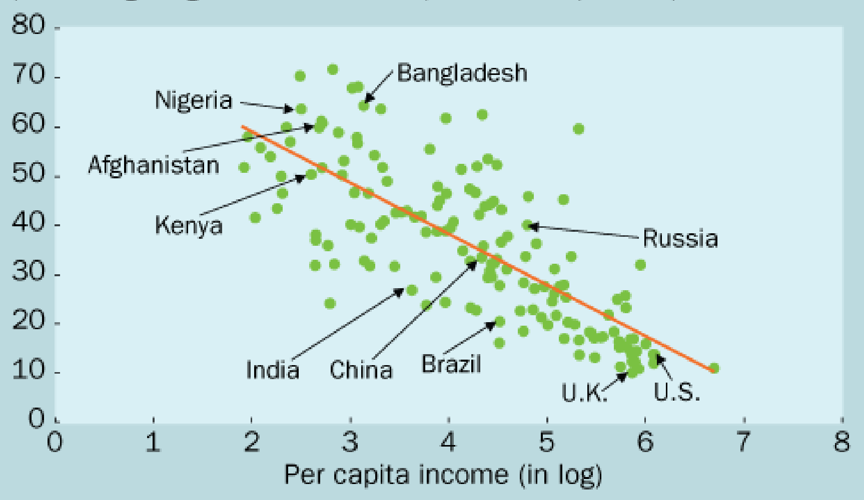
World agriculture faces many challenges: bio-diversity, climate change, urbanization, avian flu, water supply integrity, food safety. But the elephant in the room is the need to increase agriculture yields. The law of diminishing returns has been scything cereal yield growth rates lately, and a boost is needed –via fertilizers and better farm and irrigation technology- to get the numbers up.

In the case of India and China, this is a policy imperative, not an option. Half a billion new urbanites will be moving from rice to ribs over the next 20 years. China's politburo chiefs, ever jealous of their jobs, will recall that Mao's 1927 revolution was backed by disenchanted rural communities. Tellingly named the "Autumn Harvest Uprising", the revolutionary bushfire was kindled in Changsha, Mao's town at the time, and a major rice centre in southern China.

Healthy agriculture is essential for healthy politics in the developing world:



Source : IMF Staff Calculations

The second supply factor is the long lead time and huge cost needed to invest in farming. The world has cropland of 1.4bn hectares (that's 11% of global land). There's another 1.6bn hectares waiting in the wings, mostly in Africa and South America, but the technology, transportation, logistics and sheer financial muscle needed to bring this into production will prevent quick solutions.

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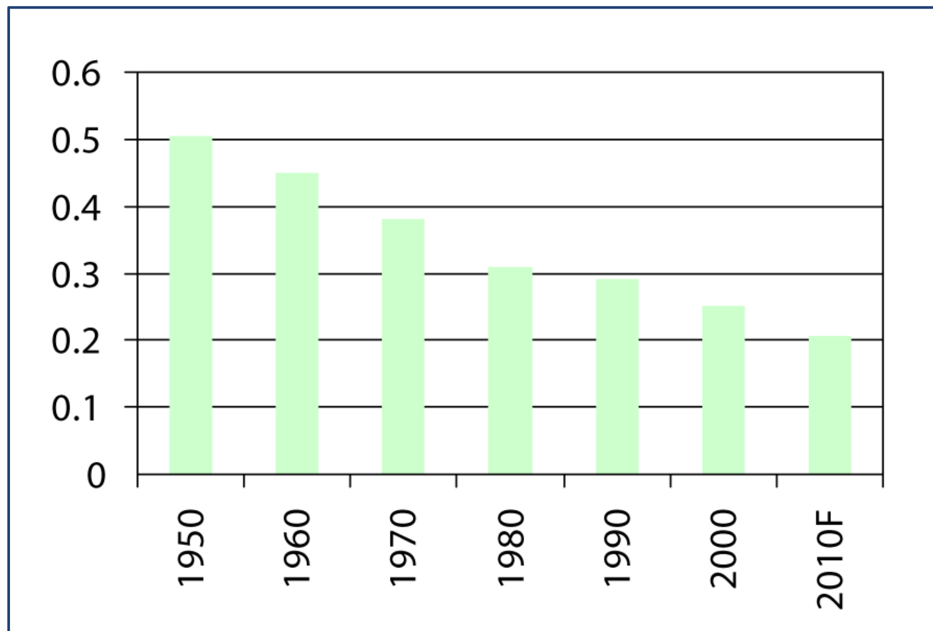
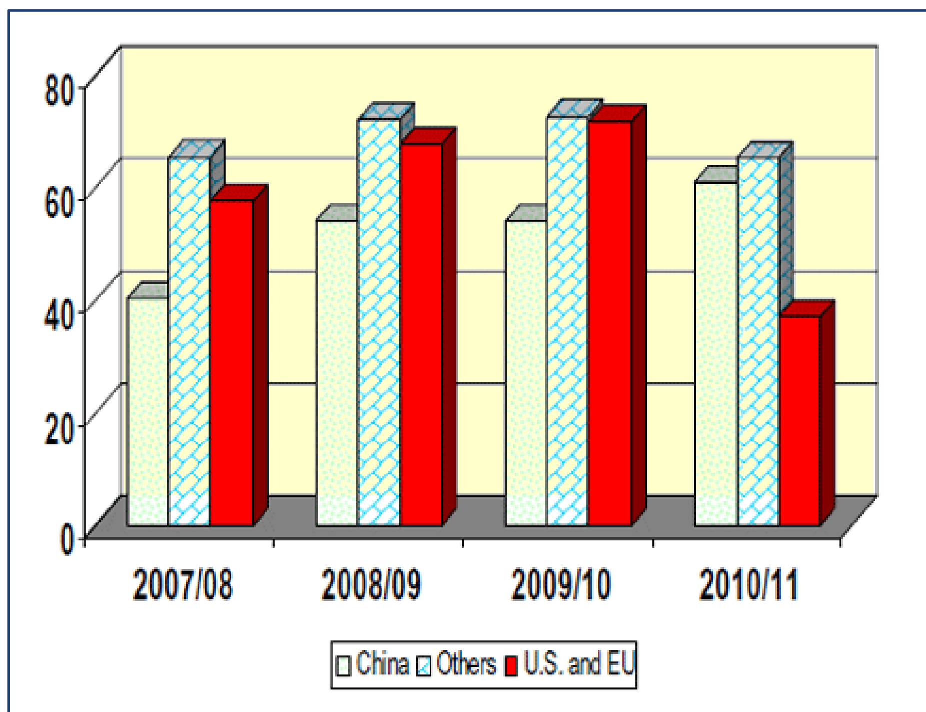
Global Arable Land per person



Source : FAO, Potash Corp

The third factor is the low level of the world's grain inventory. In the west, lower yields have had a recent negative impact on grain stocks. In addition, many countries' stocks are held only for domestic use and strategic reserves, with China as the classic example.

Year End Grain Stocks Fall



Source : TheBioenergySite.com

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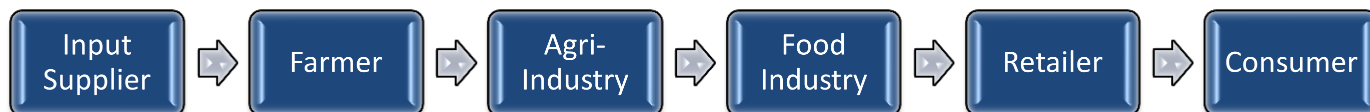
Looking for Good Investments (Down On The Farm)

As the owner of a Scottish family hill farm and a product of several generations of Scottish farmers, I know from bitter experience how tough -and cold- farming can be. Most agricultural stocks struggle to satisfy Buffett's requirement for a good investment: simple franchises with durable competitive advantage (wide moats round their businesses).

Many agriculture stocks –farm equipment being a good example- are generally B to B ("Business to Business") stocks. The end buyer is usually a farmer (often a canny businessman who tends to have long years in the wilderness and a natural reluctance to pay over the odds for his supplies). B to B businesses can be subject to discount / margin pressure, in addition to the well known cyclical and climatic influences that make life tough for all farmers.

But we prefer agriculture businesses that have got closer to the end consumer (B to C) and have secured the various stages on the supply chain, thus preserving margins. What does a "simplified" international farming supply chain look like?



Source : World Bank, P&C Global Wealth Managers SA

We say "simplified" because for any particular country you can add –at the farmer's end particularly- several boxes for middlemen, co-operatives, marketing organizations and even government; the usual rough-and-tumble of commercial life in an economically sensitive sector. But what is clear is that the poor old farmer has to invest capital and labour for returns that are, let's say, inconsistent, whilst the retailer / supermarket, using vast economies of scale, can shrink its capital employed (and labour) by squeezing suppliers and controlling stocks, thus preserving and growing its margins to create transparency of returns. But please note that the prime mover of the supply chain is the Input Supplier (fertilizers, seeds).

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We think there are seven main areas for GTI down on the farm or forest. Our GTI stocks –all are given the quality stamp by our GTI advisers- are briefly written up below:

Investment Sector	Comment	Stocks (GTI Advisers)	Mkt Cap (USDbn)	Comment
Fertilizers	Raising yields solves all problems; strategically important to the fellows who count: China and India	**Potash Corp**	43	The Big Daddy of potash (20% of world; under bid from BHP Billiton); 2.5% of P&C GTI Fund
		Yara	14	Norwegian pioneer in fertilizers (Ex Norsk Hydro)
		Agrium	14	Specialty fertilizers and agro products N America
		Mosaic	30	Producer, marketer phosphate and potash N America
		Potash One	0.3	Potash explorer Canada
Farm Equipment	Gold Rush fortunes were made by the pick-axe and jeans manufacturers, less so by the miners	**Deere & Co**	32	No 1 in farm equipment
		Agco	4	No 6 in tractors, combines etc, active in China
		CNH	10	High-tech tractors (FIAT owned), NH = New Holland
Agribusiness	Logistics; getting farm products onto the table	**Bunge**	9	Integrated American farm to consumer agribusiness
		Viterra	4	Canadian grain handling agribusiness
Agriculture Science	Critical area but sometimes hard to understand	**Monsanto**	32	Largest seed co in the world, 90% of the world's GE seeds,
		Syngenta	26	Plant technology, crop protection
Food Processors	Benefit from lower grain prices but higher crop production	**Wilmar**	30	Leading Asian agri-business (veg oils, oil palms)
		Archer Daniels Midland	33	Cereal, palm oil processor
Land & Farming	Directional play on rising farm prices	**SLC Agricola**	1	Brazilian agri-group (cotton, soybeans, coffee, corn, rice)
		Brasilagro	0.4	Brazilian agri-sector
Forestry	Play on higher timber prices and downstream (biomass etc) as well	**Plum Creek Timber**	6	Largest private landowner in the USA
		Svenska Cellulosa	11	Largest forest owner Europe
		Rayonier	4	Forest products
		Weyerhaeuser	8	US lumber giant

Source : P&C Global Wealth Managers SA

Though we give the stock names, we have avoided the agriculture science sub-sector in the GTI fund. Monsanto and Syngenta are world-class companies but seed technology and the intricacies of genetic modification are less easy to understand than the simpler process of selling a farmer a tractor, some fertilizer or feedstock. In the Gold Rush, it was the axe and jeans manufacturers that made out like bandits. Most of the gold miners ended up sweeping the bars.

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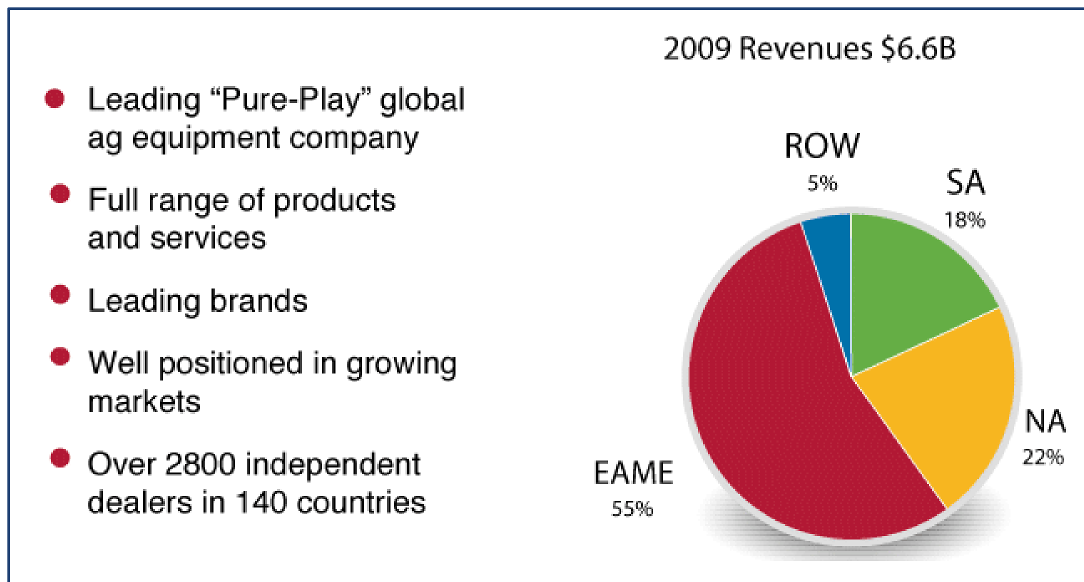
Agco: Trusted By Farmers

Agco is the 6th largest tractor maker in the world but is the largest pure play, full-line farm equipment manufacturer, with nearly USD 7bn of revenues. It sells its tractors in 140 countries and has 4 global brands: Fendt, Challenger, Valtra and....*do you remember the iconic name?*.....Massey Ferguson.

Agco Today



Source : Agco September 2010

Agco sells its tractors through an independent dealer network of 2,800 full service dealers and it is fair to say that Agco was a pioneer of the multiple brand strategy in the farm equipment business.

Farmers are cost conscious. The key to getting them to open their cheque books is to offer them the tractor that suits both their business and their wallet. Their natural conservatism drives farmers to buy brands with which they are already familiar and names like Massey win the day. Agco tries to offer multiple-brands and different price-points across its tractor range.

Agco has 4 main business lines. Challenger is a premium brand, and stands for high quality dealer support and in-field service. The German brand, Fendt, is a European market leader (like a mountain goat at climbing hills, our advisers tell us). Valtra is dominant in the Nordic region. Massey, well it's just Massey, with a 160 year reputation as the most widely sold tractor brand in the world.

Agco has an international business active in all the main GTI regions. The hot spots are Russia, where there has been a massive underinvestment in farm equipment, China, where there is insatiable demand for low and mid-horsepower tractors and Brazil. Agco's China strategy is to grow its local production and to be as localized as possible to address regional differences in the vast country, though such a strategy brings with it the usual threats of copyright infringement.

Agco's domestic US business, whilst slow, is in good shape and starting to pick up. The farmer's balance sheet and capacity to spend has seldom been stronger and the outlook is markedly improved after several decades of low returns.

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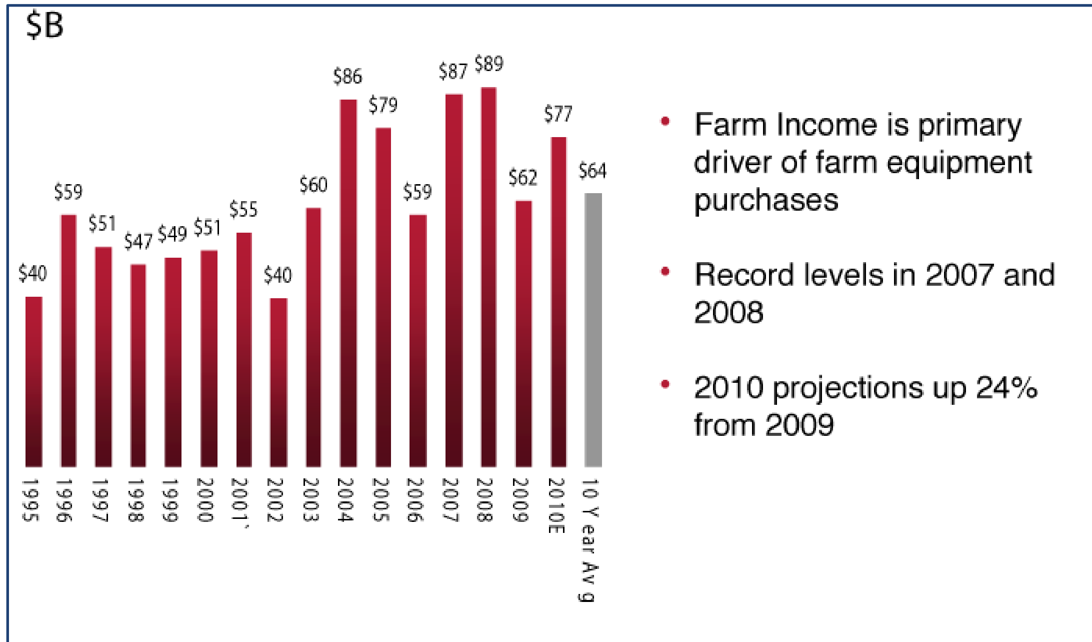
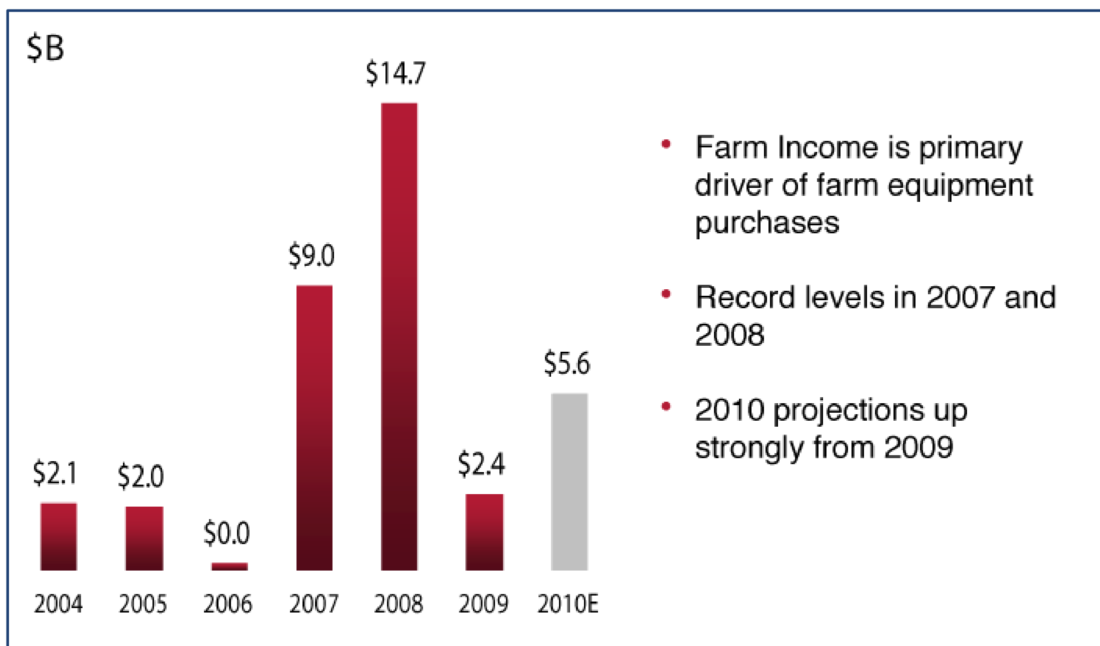
US Farm Income



Source : USDA

Our guess is that Agco should be getting nearly 40% of its revenues from Brazil –where it has a 55% market share- within a year or two. Brazilian farm income – which saw boom years in 2007 and 2008- is set to return to pre crisis levels, implying a doubling or even tripling of Agco's revenues from this region in the next few years.

Brazilian Farm Income



Source : Conab

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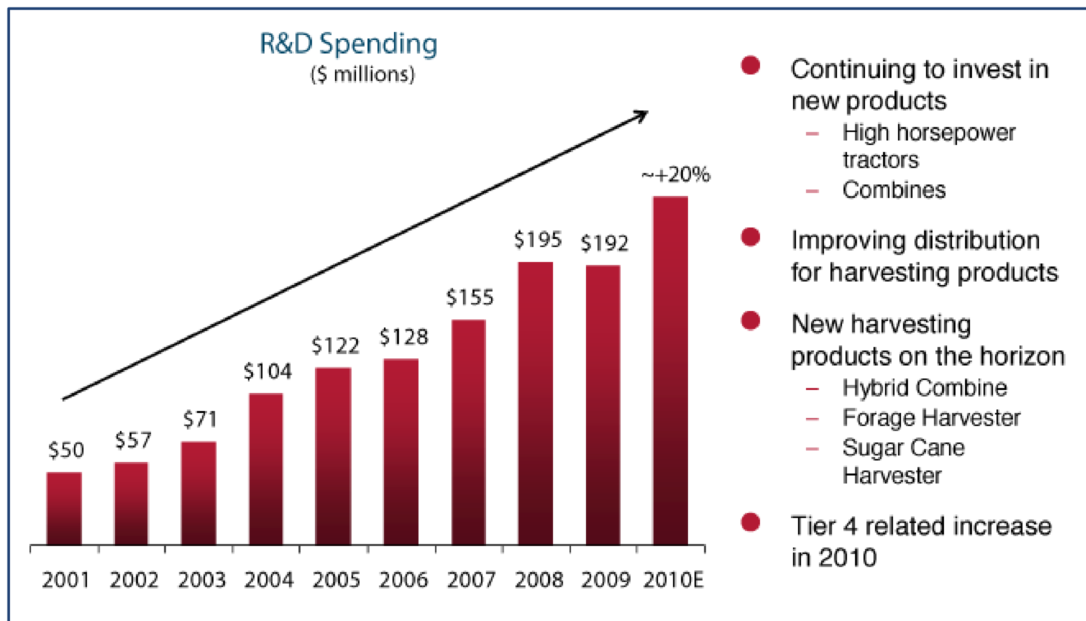
Top line growth will also come from new product development and focus on niche segments like sugar cane harvesters (sugar is set for a multi-year boom in Asia, as Asian diets shift towards the high sugar diets more normal in the west).

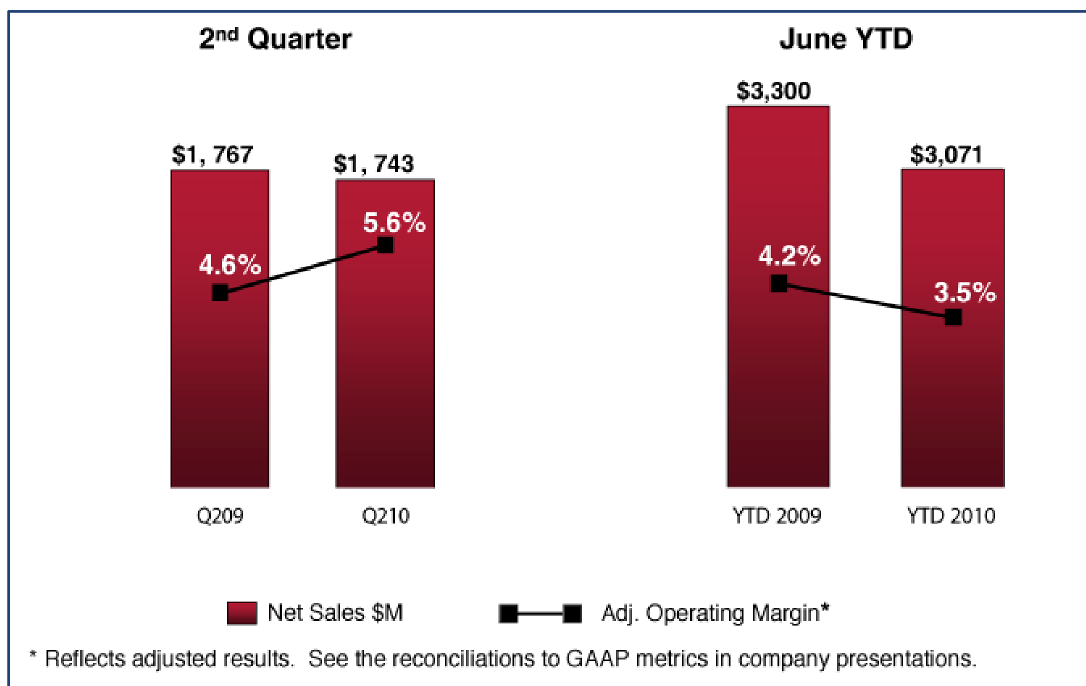
R&D Drives New Products



Source : Agco Sept. 2010

Top line growth aside, it is margin improvement that will drive Agco's profits in the next few years. There are signs of this already, with Q2 seeing a rise of about 25% in operating margins:

Net Sales and Margins



Source : Agco Sept. 2010

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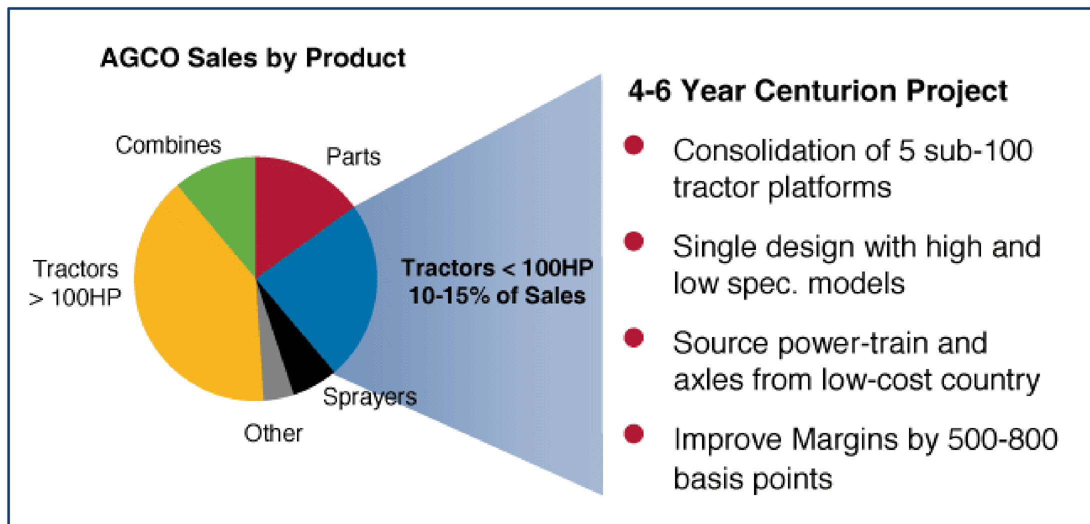
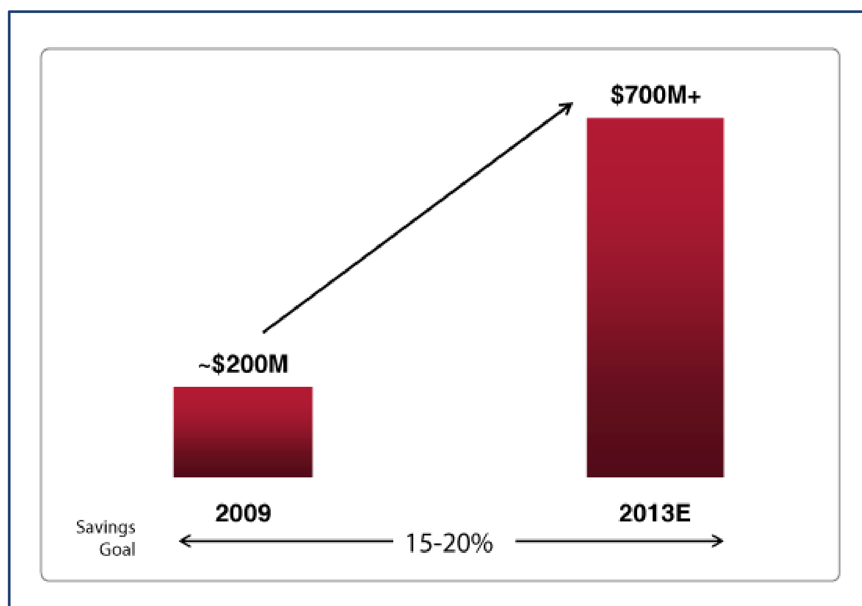
Localized production, improved production systems and other cost initiatives should propel margins up by 2-3% over the next few years:

Improving Margins: Under 100 HP Initiative



Source : Agco September 2010

Moving Production will Save Money



Source : Agco September 2010

We see no reason why Agco – with its higher margin strategy and growth-market exposure- shouldn't earn USD 4.00 – 5.00 a share by 2012 (versus 2008's peak of USD 3.95) and USD 6.00 by 2014. 6% net margins –near Deere's and Caterpillar`s- should be obtainable from today's 3-4%. (Incidentally, in the Go-Go 1960s these sorts of stocks boasted net margins of 8-12%. We think the coming decade will be closer to the Go-Go 1960s than to the Go-Slow 1970s).

On a PER of 17x, slightly above the long term average of around 15x, this implies a price target of over USD 100 a share, or well over twice current levels within 5 years. Agco has just raised its revenues and earnings guidance and we think there is more of this to come.

This may be a bumper harvest indeed.

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The P&C Global Thematic Investors Fund Quarterly Review

Where's The Growth?

Double Dip, Dividends or Despair?

Don't listen to what the street is saying. Do what the street is doing.

Last month, Microsoft sold USD 4.75bn of three and five-year bonds at the lowest coupons on record. Microsoft are –in effect- shorting the debt market. USD1bn of notes due in 2013 were sold with a yield of 0.875%, and 2015 money at a yield of 1.625%. Amazingly, this came the same day TIPS –inflation sensitive bonds- made multi-year highs and the implied rate of inflation jumped to 1.9%. Assuming Microsoft's earnings keep up with inflation (not a Herculean task, as it's 1.2% right now), the cost of this money is, FREE. The brave bond buyer, on the other hand, won't get all his money back as the real-return is negative (at current rates).

As long as these dynamics persist there is a huge opportunity for corporates to re-engineer their balance sheets and capitalize on the biggest investment spreads in decades. Share Buybacks have doubled from last year. This trend is set to continue. Strongly capitalized corporates are being literally forced to accelerate the buying back of their own shares.

So all portfolios –and the P&C GTI Fund is no exception- should contain a handful of over-capitalized stocks since this is where the Buyback action is going to be.

Corporate America and Europe is in rude good health. 185 Dow companies have raised dividends this year; only 3 have cut them. China, Indonesia and India are ruder still.

This is what we wrote to our managed clients for Q3:

Executive Summary Q3 2010:

Our "Road Map" for stock markets –bullish from late Q408- remains. We are in the volatile, second stage of an equity bull market. Stage 2 will last till "recovery" is established, when interest rates will become the concern.

1. **Our call that March 9th 2009 was the start of a multi-year global equity bull market is on track.** Q3 gave us as much <u>in</u>spiration as Q2 gave us <u>per</u>spiration. Most themes worked well, except for *Ageing Population, Water & Ecology,* some parts of *Emerging Middle Class* (SS Africa and Middle East) and *Restructuring Japan,* which have lagged; pleasure deferred, we think.
2. **Equities are part of a global beauty competition for the marginal dollar. They remain the most beautiful.**
    - ***a.*** ***Cash*** yields remain derisory in all major markets. Some developed world interest rates are at 350 year lows and in most parts of the Developed World, the Zero Interest Rate Policy ("ZIRP") looks set in stone for a long time to come.
    - ***b.*** ***Bonds*** (yielding 2-4% in the Developed World) could collapse in price when their biggest buyers –their own issuers, the weakened governments themselves- step back from "QE" and are to be avoided, except as Double Dip safe-harbours.
    - ***c.*** ***Gold*** shines in a fiat-currency world, where politicians seek re-election rather than canonization as monetary puritans. Fear money has accumulated in these metals and greed money –a not so distant prospect- will look at equities for its thrills.

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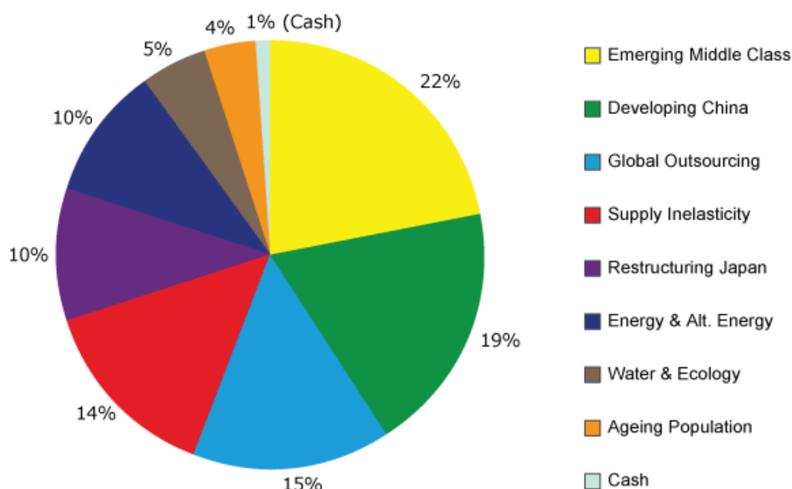
1. ***Equities*** yield 5-10x cash yields. We foresee an investor love affair with High Yield Blue Chips (eg Diageo, Tesco, Unilever, Nestlé, P&G, Veolia, Vodafone). Baby Boomers need *safer cash returns than bonds issued by developing or developed countries*.
2. **Aggregate economic activity is better than market commentators recognize;** 35% of the developing world has +7% real growth, while the other 65% (USA, UK etc) has +2-3%. Blended growth of 4% is enough for equities to advance by +5-10% per annum. To coin a phrase, “Developed Winter plus Developing Summer equals Global Spring”.
3. **Backward-looking data in developed countries remains poor, apart from Germany.** Developed world companies continue to beat earnings forecasts. Corporate America –cashed up with over USD 2 trillion and with largely similar annual cash flow- has a stronger balance sheet than at any point since 1956. Luckily, we don’t invest in countries, but we do invest in companies.
4. **Appropriate long term investments for this time in the cycle**. The account is invested in long term, well managed, long only securities with excellent corporate governance. Trustees hold real equity assets. Post Madoff, this is the safest road to travel.

Our Current Asset Allocation for GTI

Our monthly fund fact sheets report the important facts, so we won’t go into too much detail here. +40.9% in EUR in 2009, +15% in EUR in 2010 to end September, beating the MSCI World Index by 19% since early 2009. Our end September asset allocation for GTI is:

Asset Allocation by Global Theme

Theme	%
Emerging Middle Class	22%
Developing China	19%
Global Outsourcing	15%
Supply Inelasticity	14%
Restructuring of Japan	10%
Energy & Alt. Energy	10%
Water & Ecology	5%
Ageing Population	4%
Cash	1%



Our stock positions easily out number our fund positions.

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GTI's Hamburger and Hot Dog List

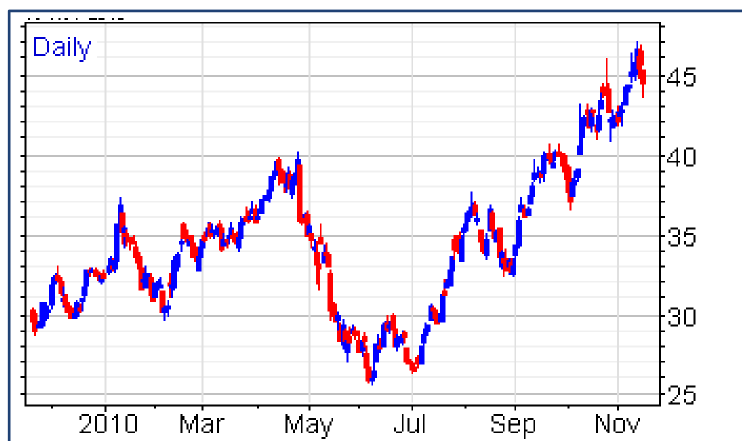
"*To refer to a personal taste of mine, I am going to buy hamburgers for the rest of my life. When hamburgers go down in price, we sing a "Hallelujah Chorus" in the Buffett household. When hamburgers go up, we weep. For most people, it's the same way with everything they will be buying - except stocks. When stocks go down and you can get more for your money, people don't like them anymore*".

Ours Buffett-inspired GTI Hamburger list started with Royal Dutch back in the dark days of November 2008. We've added so many names now that we can truly start a hamburger stand. To get on our Hamburger stand, you've got to be a major blue chip international stock with an established global franchise and a consistent track record of maintaining dividends. Preferably, your dividend yield is twice or three times the cash deposit yield in your own country. In either case, we expect to double our money in 5-7 years. To qualify as a "Hot Dog", you've got to be an exciting growth stock, such as the Dominant Consumer Franchises we write about, where we can foresee the stock price doubling in 3-5 years.

All our stocks are held –directly or indirectly- in our GTI investment programme.

GTI's New Stocks of the Month: AGCO (AG:US) and AMBEV (ABV:NY)

AGCO



Source : Fullermoney

AMBEV (Cia de Bebidas das Americas)

Source : Fullermoney

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GTI Hamburgers:

GTI Int'l Core Hldg	Ticker (ADR)	GTI Theme	Date rec'd	Price then	Recent Price	Perf	Historic Yield
Royal Dutch Shell	RDS/A:US	Energy&Alt Energy	Nov-08	USD 47.00	65.93	**40.3%**	5.1%
Iberdrola	IBE:SM	Energy&Alt Energy	Dec-08	EUR 5.75	5.85	**1.7%**	5.7%
Pfizer	PFE:US	Ageing Population	Dec-08	USD 16.90	16.88	**-0.1%**	4.3%
Roche	RHHBY:US	Ageing Population	Jan-09	USD 36.20	36.50	**0.8%**	3.8%
Newmont Mining	NEM:US	Natural Resources	Feb-09	USD 35.00	61.38	**75.4%**	0.7%
Rio Tinto* (adj 1-4 issue)	RTP:US	Natural Resources	Mar-09	USD 28.75	70.00	**143.5%**	1.3%
Standard Chartered	STAN:LN	Emerging Mid Class	Apr-09	GBP 11.12	19.01	**71.0%**	2.5%
Infosys Technologies	INFY:US	Global Outsourcing	May-09	USD 32.40	66.58	**105.5%**	1.8%
Veolia Environnement	VE:US	Water & Ecology	Jun-09	USD 28.50	29.74	**4.4%**	4.9%
PotashCorp	POT:US	Natural Resources	Mar-10	USD 110.50	138.95	**25.7%**	0.3%
Diageo	DEO:US	Emerging Mid Class	May-10	USD 60.00	75.04	**25.1%**	3.2%
Unilever	UL:US	Emerging Mid Class	May-10	USD 27.19	29.88	**9.9%**	5.7%

GTI Hot Dogs:

GTIInt'l Growth Hldg	Ticker (local mkt)	GTI Theme	Date rec'd	Price then	Recent Price	Perf	Historic Yield
Colgate Palmolive India	CLGT:IN/ India	Emerging Mid Class	Apr-09	INR 455.00	877.85	**92.9%**	2.5%
Godrej Consumer	GCPL:IN/ India	Emerging Mid Class	Apr-09	INR 142.00	430.00	**202.8%**	1.0%
Wumart	8277:HK/ HK	Developing China	Jul-09	HKD 9.50	18.70	**96.8%**	1.1%
Want Want China	151:HK	Emerging Mid Class	Jul-09	HKD 4.50	7.07	**57.1%**	2.6%
Nestlé India	NEST:IN	Emerging Mid Class	Sep-09	INR 2,214	3,902	**76.2%**	1.3%
Tao Heung	573:HK	Developing China	Sep-09	HKD 2.75	2.81	**2.2%**	4.4%
Hsu Fu Chi	HFCI:SP/ S'pore	Developing China	Nov-09	SGD 2.01	3.30	**64.2%**	2.0%
Sonatel	SNTS:BC/ W Afr SE	Emerging Mid Class	Dec-09	CFA 120,000	150,000	**25.0%**	8.1%
Unilever Indonesia	UNVR:IJ / Jakarta	Emerging Mid Class	Dec-09	IDR 11,000	16,500	**50.0%**	2.4%
Lianhua Supermarkets	980:HK	Developing China	Mar-10	HKD 26.05	33.35	**28.0%**	1.1%
East African Breweries	EABL:KN	Emerging Mid Class	Mar-10	KES 155	219	**41.3%**	4.0%
Britannia Industries	BRIT:IN	Emerging Mid Class	Mar-10	INR 316	414	**31.0%**	1.2%
Jollibee Foods Corp	JFC:PM	Emerging Mid Class	Jun-10	PHP 61.00	92.00	**50.8%**	2.1%
AMBEV	ABV:US	Emerging Mid Class	Aug-10	USD 110.00	140	**27.3%**	3.0%
Agco	AGCO:US	Supply Inelasticity	Sep-10	USD 40.00	46.29	**15.7%**	0.0%

Gold Basket							
IAMGOLD	IAG:US	Natural Resources	May-10	USD 17.58	17.16	**-2.4%**	0.4%
Fresnillo	FNLPF:US	Natural Resources	May-10	USD 12.70	23.60	**85.8%**	1.2%
Eldorado Gold	EGO:US	Natural Resources	May-10	USD 16.65	17.25	**3.6%**	0.3%

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A quick tour of our GTI advisers

One of our GTI advisers, wily Richard Hazlewood of Muse Capital, hits the asset allocation dilemma nail on the head:

".....the despondency amongst many investors in growing all the time. Many investors have now made no money in almost a decade and thus they feel quiet rationally that they would be better in almost any asset class like property, bonds or even cash which is inherently less risky. As Warren Buffet famously remarked the rear view mirror is a lousy indicator of the future. If in 2000 you had looked at all asset classes you would have concluded you needed to be fully invested in technology stocks as the NASDAQ market rose a heady 24.5% compound over the decade. Needless to say that was exactly the wrong time to buy into tech shares.

So now what are the alternatives on a long-term view of say 10 years?

You can buy property. But just speaking about the UK we do not believe the numbers that show property prices in the UK have risen 3 fold since 1997 which is 8.8% per annum plus rental yield on 4% giving a total return on 12.8% per annum. We think the numbers should exclude prime London property, which is being affected by the world's super-rich, and loosely the North, where properties have risen by 5 times as public sector wage inflation and Northern Rock style 125% mortgages caused a property bubble. In middle England and non-prime London our estimate is prices have doubled, which is 5.5% per annum or very similar to the rise in nominal GDP, which is exactly what prices should have risen by. Looking out we think nominal GDP may rise by 3-5%, which would mean house prices for middle England appreciating by 50-100% over the next decade.
Cash is unlikely to return anything as after-tax rates are negative.

Bonds will likely be a disastrous investment. We just do not know when. Only the madness of crowds and the complete distrust of everything is driving long-term bond rates down to the historic lows. Like cash, bond yields after-tax, are negative but more dangerously than cash you can lose a large percentage of your capital as and when rates finally normalise.
So how do Equities look? We have been long-term believers in a 17 year cycle for stock-markets. In sum you have a 17 year bull market, then for 17 years the market goes nowhere. We are now nearly 11 years into this cycle. Over the past near 11 years the FTSE 100 has lost approximately 24% (-2.7% per annum) of its value, which with an average yield on say 3.5%, has meant a total return of 0.5%. In sum you have made almost no return on your money and you would have done substantially better in any asset class. Looking out and saying the FTSE recovers in a further 6 years to a new high of 6950 the annual return would be 4.7% plus a dividend year of 4.0% plus. In sum a total return of 8.7% per annum which is easily the best return of any asset class

As an investor the real question is not asset allocation, which is blindingly obvious, but performance. We believe all investors have no choice but to own property and equities over the next 10 years. The fund remains equally fully invested and we think the best lies ahead despite the gloomy commentators. Lastly August so far is proving to be a strong month for performance and we remain optimistic that the fund will do well throughout the rest of the year."

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Quote of The Month

"The world also has a problem: It is getting hot, flat and crowded. That is, global warming, the stunning rise of the middle classes all over the world, and rapid population growth have converged in a way that could make our planet dangerously unstable."

Thomas Friedman, New York Times columnist and author of "The World Is Flat"

And One More Thing.....

No matter how hard you try, you simply can't invest in an economy. But you can blame it. You can lay at an economy's feet all your personal *angst* about the incessant rise of school fees, the demolition derby of house prices or the emasculation of the pound in your pocket, but you simply can't invest in it. However, you can –and should- invest in shares. And that is the concern of this letter.

We've lost count of how many times over the years I've been badgered by clients talking about this dodgy economic statistic or that and I've never figured out why such a discredited group as the economist community can hold people in thrall to their frequently revised, usually contradictory and dubiously collected data. I put it down to the fact that the media –fearful of the regulatory backlash- tends to give front page coverage to last quarter's historic -and histrionic- GDP numbers, but barely house room to Unilever's carefully constructed product mix strategy in Indonesia –far more important to GTI and valid for the next decade or two. I doubt that either economists or Unilever would want it any other way.

Faute de mieux, economists get handed the karaoke mike at dining tables but seldom the fellow who wants to talk about the exciting new sales mix of Diageo. "Double Dip" sells better than "Double in Diageo". The media knows this better than anyone.

Good Investing and......Don't Believe All You Read in the Papers.

Iain and Bruce

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Why we invest according to global themes

The investment rationale for Global Thematic investing is simple.

In a free global marketplace capital tends to flow to sectors where long term growth rates - and hence returns- are more attractive than the average. This capital –whether of a private or public sector sort- bids up prices of assets in these sectors and creates "sustainability" of growth. As investment managers, it's our role to "allocate capital" (Warren Buffett's hallmark phrase) to where the best potential returns (and lowest prices and risks) are available. Pricing is important; "overpaying" for assets is always dangerous. The same theme may be "played" at one stage of the cycle through one fund, then at another stage through another, depending on the attractions of the specialist sector. Robust long term global themes may remain a powerful way to make money for decades, whilst the funds chosen to "play" them may be–though do not *have* to be- different at different times.

The Team That Developed the Global Thematics Philosophy

The editors –two professional fund managers each with over 25 years in the international investment business, half of it working together

Iain Little

Iain is British and has spent over 25 years in private banking as a global strategist and portfolio manager. He's held senior portfolio manager. He's held senior positions with Kleinwort, Benson in Hong Kong and London and with Pictet et Cie, the largest Swiss private bank in Geneva, London and Tokyo.

Iain now works as a Partner of P&C Global Wealth Managers SA in Switzerland.

Iain is also on the board of GTI Fund Investment, Cayman, managers of the P&C GTI Fund and serves as a non-executive director of other specialist funds, including the Arisaig India Fund.

Iain is principal advisor to the P&C GTI Fund.

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Bruce Albrecht

Bruce is British and has held a number of high profile jobs as head of investment over 30 years in the industry. He was head of European investment for the Abu Dhabi Investment Authority (the single largest pool of own-managed money in the world, reported to be several hundred billion USD), Chief Investment Officer for Pictet London, and Chief Investment Officer for Rothschilds. He worked closely with Iain Little for a decade in Pictet London.

Bruce is a Partner in P&C Global Wealth Managers SA in Zurich and on the board of GTI Fund Investment, Cayman, managers of the P&C GTI Fund, and Director of Investment Strategy Network (ISN, www.investment-strategy.net), a systematic stock selection tool

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