Fund Manager's Diary

Iain Little 28th March to 1st April

Monday

Sometimes history rhymes particularly strangely. As the rag bag rebels advance in baby step towards Tripoli, denied either US CIA support or "boots on the ground", one is reminded of similar events on those shores some two centuries before.

In April 1805, six months before the Battle of Trafalgar, when the British were busy preparing to quash Napoleonic sea power and too busy to help America, a rag bag army of 500 Arab, Greek and Berber mercenaries was herded towards Tripoli by a detachment of 8 US marines led by William Eaton, at the time Naval Agent to the Barbary States. Eaton's game –sanctioned by the First Barbary War when North African Barbary pirates had made life vexing for US seafarers- was to depose Yussif Karamanli, then Pasha of Tripoli, in favour of the rightful ruler, his brother, Hamet Karamanli, who had been forced into sunny exile in Egypt. Despite strained relations between the Christian and Muslim rebels, countless threats of mutiny, and a 500 mile, 50 day trek across the Libyan desert, US and Coalition force of arms prevailed at the Battle of Derne (today's Darnah lies a few hundred kms east of Benghazi) and the US flag was hoisted for the first time in American history upon foreign soil. The Marine Corp hymn celebrates the events *("...To The Shores of Tripoli").* Not even a brave but forlorn last gasp attempt by Hamet to reinforce the city could uproot the Americans from Cyrenaican soil.

The story ended badly for Eaton and Hamet. Behind their backs, Consul General Tobias Lear, no doubt prompted by Thomas Jefferson, signed the Treaty of Tripoli and with it the claims of Yussif prevailed over those of his brother. Yussif returned to power, Hamet to cocktail hour in Alexandria and Eaton, embittered by the betrayal of his peers, to a hero's welcome in America.

US "Realpolitik" had bared its teeth and the US had also avoided enmeshing itself in the affairs of a sovereign nation. If the same principle is observed in Libya today, Colonel Gaddafi will collect his pension in Tripoli for many years to come.

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Tuesday

"Onomatopoeia" is a word that suggests the source of the sound that it describes ("tick tock" for clock for example). I have coined "*Economatopoeia"* to describe a corporation whose name suggests the source of its own success. The best I know is "***Want Want",*** a stalwart of our *"Developing China"* investment theme. ***Want Want*** sells 7 out of every 10 rice crackers munched in China and owns 45% of the PRC's flavoured milk market. ***Want Want*** just announced 2010 revenues up +32% but bottom-line profits up a mere +15%. The culprit of course is increased food costs. This factor –input cost inflation- is the new bogeyman for the Asian growth story. But shareholders like us need not fear. ***Want Want's*** leading brands – rejoicing in the serious-sounding names of "Hot-Kid" and "QQ Gummy"- can be relied on for growth. The energetic Taiwanese Tsais –who own half of ***Want Want***- will one day be richer than Bill Gates.

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Wednesday

Talking of inflation, what's going on in China? Our Chinese "moles" told us that Beijing was coming down hard on the likes of ***Carrefour*** and ***Wal-Mart***, dastardly foreigners who tried to raise their prices to the poor Chinese consumer. Then we heard that FMCG giants ***Unilever*** and ***Procter & Gamble*** were planning +15% price increases. The latest whisper is that the 2 giants have unaccountably cancelled these plans. Is Beijing getting windy about inflation? How odd it would be if a street-seller's self immolation in Tunis could affect bureaucratic decisions in China, half a globalised world away. Chaos theorists speak of the butterfly-wing theory — the idea that a butterfly flapping its wings in Beijing can set off a cascading chain of events that eventually lead to a hurricane in, say, the Bahamas. Can it also be the other way round?

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Thursday

Our "*Water & Ecology*" investment theme presents problems. Though daily events (Fukushima, Africa etc) remind us of the power and relevance of this theme, it's hard to find good investment companies to play it. Massive water utilities are often too, well, massive to be good investments and ecology technology plays are often too speculative and hard to identify. Our global water leader –***Veolia***, long the victim of capital-intense and costly social projects- may give us a clue. ***Veolia*** is teaming up with ***Orange*** to create a smart water metering company that can be offered to today's increasingly green local authorities. Cost-efficiency, cleaner water, more accountability, smarter technology......these modern buzz words can rescue Veolia from its stodgy reputation and raise its ROE to "Jet d'Eau" heights. Our fund is counting on that.

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Friday

Off to Luxembourg for the board meeting of fund of hedge funds ***Culross Global Fund***, a star in a galaxy of mediocrities and the brainchild of irrepressible Nigel Blanshard, once a fellow choral exhibitioner at Caius Cambridge and ardent *automobiliste*. Imagine my surprise when independent directors are asked to sign a letter for the BVI regulators that confirms that the fund has no investors from Zimbabwe or Libya. Would modern political correctness deny investment opportunities to Libyans downtrodden by the evil Gaddafi who wish to invest outside their benighted country? William Eaton would have launched the marines on the BVI, unofficially of course.