



# P&C Global Thematic Investors Fund

(Monthly Fact Sheet as at 31st August 2008)

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Website: [www.Global-Thematic.com](http://www.Global-Thematic.com)

## Brief Fund Details

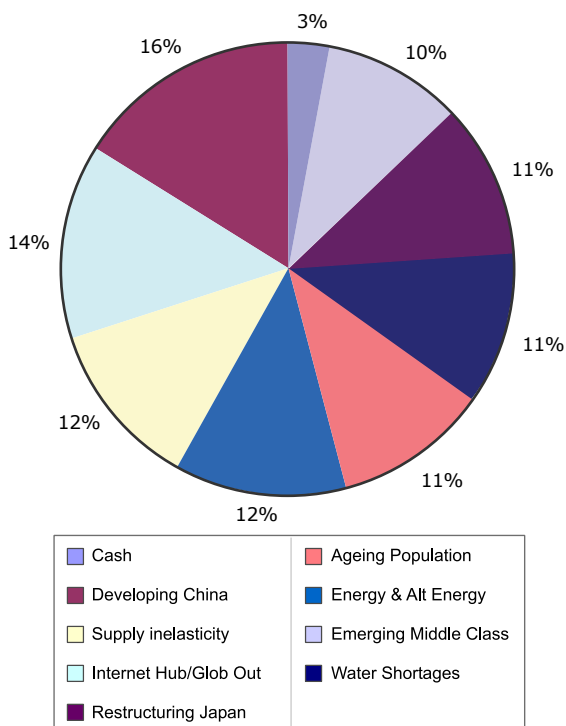
**Fund's objectives:** : to maximise total returns in excess of the returns available from EUR deposit through investment in equities and funds exposed to global investment themes as described in the GTI Newsletter.

**Investment vehicles:** equities (<100%), closed-ended and open-ended funds (<100%).

**Investment restrictions:** cash <25%, any one fund or adviser <20%, any one security <10%, derivatives (only for short-term market hedging) <25%, normally no currency hedging.

- Subscription price as at 31st August 2008:
  - NAV EUR 918.04
  - Estimated USD equivalent (for USD investors): USD 1351.58
- Minimum investment: EUR 100,000
- Domicile of fund: Cayman Islands
- Investment Manager: GTI Fund Investment Ltd, Cayman Islands
- Investment Adviser: P&C Global Wealth Managers SA, Switzerland
- Advisers: Iain Little and Bruce Albrecht
- Custodian: RBC Dexia Investor Services Bank SA, Luxembourg
- Administrator: RBC Dexia Investor Services Bank SA, Luxembourg
- Auditor: BDO Tortuga, Cayman Islands
- Sales fee: Up to 3% permitted
- Dealings: Monthly (last business day of month)
- Inv Management Fees: 1.50%
- Performance Fees: 12% absolute returns (HWM)

## Asset Allocation of the GTI Fund



## Portfolio Commentary

### Executive Summary

In August the fund's EUR NAV rose by 1.03% to EUR 918.04. The USD equivalent NAV was down 4.6% to USD 1351.58. The US dollar has been on a tear recently and this was hurtful to our USD investors, since much of GTI invests in currencies that were weak against the dollar.

### "When the House Sets The Rules of The Casino, Don't Bet Against The House"

The events of the last week are of such momentous –and we believe, positive- import that Bruce and I want to summarize our views. We're writing this in the belief that Mr Paulson will produce an attractively priced and well-dressed rabbit from his USD 700bn hat. At this stage, some guesswork is needed. But we've always found it unprofitable to bet against the finest minds of Goldman Sachs, Wall Street and the US Treasury. We doubt it'll be much different this time round. Mr Paulson knows that the global financial system will hang on his every word, and the US Treasury has much to lose from further bloodletting on Wall Street now that it's become such a major public punter itself. The credit crisis is about two things: distrust and deleveraging. Both conditions may have been greatly healed by Mr Paulson's measures.

1. **The deleveraging panic has reshaped the world's financial system.** Apart from the headline-making musical chairs at company level (Bank of America scoops up Merrill Lynch, Uncle Sam's rescues AIG, Fannie Mae, collapse of Lehman etc), the more far-reaching change will be a saner world. No longer will half of Harvard's business school relocate en masse to Wall Street investment banks. The Man on the Clapham Omnibus will seek investments that he can understand and perhaps even pronounce. At the cost of some irritating new regulations, banks will now make loans where they entertain a serious hope of seeing both a return of and a return on their money. And investment banks –those that survive- will be less keen to convert those loans into toxic wallpaper afterwards. The equity bull market can continue without the leveraged excesses of the past.
2. **The Fed has played a blinder.** Contrary to the media at BBC, CNN etc, the US Government (read:"The US Taxpayer") is going to make some exceptional profits. The silliest analysts of all are those who say that the US Fed will run out of money or risk a downgrade. The Fed has been borrowing massively at the short end of the money market at rock bottom rates –rates it knows it can perpetuate as it happens to set them itself- as investors run to quality. This money is then given to banks in exchange for loans that are of varying –though not universally poor- quality. Other funds raised are being used to buy things like AIG. AIG is now an asset of government not an expense of government like pensions, unemployment benefit or health care (or, dare we say it, our hard working friends at the BBC). The banking system is safe for now and banks can trust each other again.
3. **AIG now stands for "All Investment Grade".** The AIG holding –bought on terms that are likely to produce a chorus of complaint when the dust has settled- will make a ton of money as it is sold off. Government action will increase the quality of the loans taken by the Fed if they are successful in stopping the rot. The House (The Fed) is setting the rules of its own casino, a fact which tends to help management more than punters. The day the US Government acquired AIG, investors were willing to accept a loss of capital (ie negative interest rates) in return for the safety of placing their money with the Fed. The Fed's timing was inch perfect. Not only did it secure a trophy asset at a giveaway price but it also gets to fund (read:"guarantee the well-being of") a borrower which it also owns.

## Asset Allocation Overall\*

GTI funds	96.7%
GTI equities	0%
Cash:	3.3%

\* As at 31/08/08

## Top 4 Fund Holdings (40%)

1. Water & Ecology	12%
2. Small Cap Asia	10%
3. Pharmaceutical	9%
4. Japan	9%

## Asset Allocation by Global Theme

Developing China	16%
Emerging Middle Class	14%
Restructuring of Japan	12%
Water & Ecology	12%
Ageing Population	11%
Energy & Alt. Energy	11%
Supply Inelasticity	11%
Internet Hub & Outsourcing	10%
Cash	3%

In short, it invests in a fixed income vehicle yielding nearly 10% using funds that cost it almost zero. Some loss. The US government's PR wonks would be wise to trumpet the unfolding success of its various investments to those who run the sovereign wealth funds of Asia and the Middle East to ensure they remain appreciative of Uncle Sam's full faith and credit. Expect no diminution in the USA's global economic or political status.

- Pruning the hedge.** There will be some dramatic results from hedge funds and hedge fund companies. The huge equity price moves mean that there are some wipe-outs coming in Hedge Fund Land. Other hedge funds are making once in a lifetime gains. We won't know the winners and losers until they're announced. But we do know that nearly three quarters of recent equity volume was generated by hedge funds. Long only players like pension funds (and us) have been relatively inert. An investor who returned on Friday after a week's fishing in the Adirondacks would have seen little change to his stock portfolio on the week. Not so a hedge fund with an itchy trading finger. Avoid trigger-happy hedge funds and hedge fund companies.
- Interest rates have been effectively (not actually) cut.** The drop in the oil price is the same as a cut in interest rates in that it puts money into the pockets of consumers. In fact, it's even more efficient than an interest rate cut as it helps all consumers (via petrol, heating fuel, electricity and transport costs). No consumer recession in the USA as long as oil stays low.
- Sharp's the action, best is the cure.** The world needs a fast correction to the credit crisis. The real risk is that the crisis rolls on into unemployment. Widespread job losses would dampen all economies. Psychology mustn't turn overly negative on expectations of further real economic pain. Expect more immediate support from the US government if it's needed.
- Inflation is still a risk.** Real money supply is expanding owing to government action. Banks' restrictive lending –the result of their fear of damaging their capital base- was providing the offset. If banks now step up their lending, inflationary forces will increase. The GTI Scarcity and commodity themes, some of them down by a quarter in value in a few weeks, look fantastic value. We'll be looking hard at mining and energy once again.
- We've gone back to the future.** Unlike the Japan crash in 1989 or the Tech Wreck in 2000 (both produced by obscene valuation anomalies), not even the most bearish commentator has suggested that world stock markets were expensive. So in the space of a few traumatic days we've been returned by a maelstrom of deleveraging –the like of which few can remember- back into a parallel universe. This is a place where "Chindia" –since last Monday China has joined the ranks of the rate-cutters- is growing at comfortable rates, where the middle class "emerges" buttressed by a more stable global financial system, where the oil price is –if not exactly in retreat- at least much lower, and –critically- where global stocks, many of them down by over a half, are available once again at bargain levels. After the Asian Crisis of 1998, brave equity investors made great money for a decade. There is a high probability that we've been handed a once-in-a-generation gift horse by the cupidity of Wall Street and the decisive action of its governors. Long term investors should not be looking into its mouth.

## Month End Price in EUR (all prices unaudited and for indication only)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year (%)
2006							1000.00	999.48	985.32	1045.36	1033.72	1052.71	+5.27%
								-0.05%	-1.42%	+6.09%	-1.11%	+1.84%	
2007	1059.72	1044.40	1053.78	1089.56	1123.05	1120.68	1113.00	1072.54	1108.91	1145.54	1075.49	1097.73	+4.28%
	+0.67%	-1.45%	+0.90%	+3.40%	+3.07%	-0.21%	-0.68%	-3.63%	+3.39%	+3.30%	-6.11%	+2.07%	
2008	998.28	1026.40	946.73	1013.30	1020.43	943.75	908.65	918.04					-16.37%
	-9.06%	+2.82%	-7.76%	+7.03	+0.72%	-7.51%	-3.72%	+1.03%					