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## The Scramble for Africa

*"We must obtain a slice of this magnifique gâteau africain".  
Leopold II of Belgium. November 1877.*

Nowhere in the world has more to gain from GTI's "Emerging Middle Class" theme than Africa. The second "Scramble For Africa" is about to begin (most people would say that – at least in modern times – the first was kick-started by King Leopold of Belgium in the 1870s). This time it'll be an investment scramble and – we hope – mightily profitable for GTI investors for two reasons.

First, we like the value we can find there. Our GTI investment dollars will go further in Africa than anywhere else in the world.

Second, the consensus built around "failed state Africa" is near-universal in the mature, developed world (though not in up-and-coming places like China, where it really matters). Experienced investors know that widespread pessimism stacks the odds in favour of the early and the brave.

As we'll explain later, we don't think we're all that brave, compared to buyers of the "respectable" Nasdaq index, and in some places we're not that early either. Africa offers the thematic investor the best opportunity for multi-year, multi-bagger profits, rather like tech in 1990, oil in 1999, commodities in 2001 or Japan in 2003.

We've taken our initial positions in Africa through what we consider to be the best advisers in this thinly populated field and we'll be surprised if Africa isn't a major part of your fund for years to come.

### **Outcome exceeds consensus expectations**

Let's slay a prejudice about where it's best and safest to invest. Big Money is not made

by investing in brilliant companies, sectors or countries, however brilliantly those brilliantly managed companies, sectors or countries do. Money is made by making investments *where outcome exceeds consensus expectations*.

If the consensus regards a company as a basket-case and it turns out to be a recovery-candidate, it's a sure-fire way to garner riches. If everybody thinks something is Investment Nirvana and it's merely OK, your riches can end up going to Money Heaven.

What will happen when the real Heavy Hitter money strikes Africa? It's about to and this is how we think it will come about. *African stock markets are about to see new portfolio flows that will catapult them into the category of "serious growth markets"*.

We approached most of the half-dozen or so investment managers active in Africa. We asked them to quantify new specialist fund flows into African stock markets in 2007. Their replies were interesting. Few of them realized the magnitude of new funds being invested in Africa. The best of them got the answer half right, and their range of answers was huge. The lowest was at USD 30 mn and the highest at USD 1 bn (yes, one billion). Despite the hype in the fund industry, based on the information we receive as a potential investor in new funds, we think the upper end of the range, toward USD 1 billion, is the right answer.

Though one million USD doesn't buy a hill of beans in this crazy old developed world, it does buy several mountain ranges in Africa. Compare this to the turnover of some of the major stocks in African stock markets:

### Poor Liquidity: Buy and Hold an Imperative

Company	Country	6M avg. daily value traded (USD)	Estimated number of days to purchase USD 2 m of stock
Louis Ltd	Cyprus	268 950	7
Sechaba Breweries	Botswana	27 667	72
Pachin	Egypt	151 550	13
Unilever Ghana	Ghana	375 000	5 339
East African Breweries	Kenya	321 103	6
Scangroup	Kenya	156 827	13
Blom Bank	Lebanon	394 285	5
Phoenix Beverages	Mauritius	3 752	533
New Mauritius Hotels	Mauritius	50 514	40
Rogers	Mauritius	23 246	86
Credit Eqdom	Morocco	83 418	24
Brasseries du Maroc	Morocco	129 339	15
Cadbury Nigeria	Nigeria	187 762	11
Nestle Nigeria	Nigeria	134 997	15
GlaxoSmithKline Nigeria	Nigeria	44 676	45
Guinness Nigeria	Nigeria	496 580	4
UAC Nigeria	Nigeria	191 445	10
Brandcorp	South Africa	104 971	19
Cashbuild	South Africa	355 649	6
Lewis Group	South Africa	3 943 587	1
Spar Group	South Africa	2 259 033	1
Truworths	South Africa	7 210 585	1
Tunisie Leasing	Tunisia	33 403	60
Bim Birlesik	Turkey	518 036	4
Coca-Cola Icecek	Turkey	2 345 936	1
Galatasaray Sportif	Turkey	643 207	3

Source: Arisaig Partners Investment Managers

Just to give a little further perspective, the market cap of Ghana, Kenya, Mauritius, Zimbabwe and Uganda is a little north of USD 30 bn, much of it owned by multi-nationals who are simply not selling. Why should they?

Citibank's Return On Equity in The Dark Continent is probably more than double what it is in the developed world. Where else can Barclays operate without the Regulator raising his censorious eyebrows at its fat margin growth? What competition does Unilever fear against its monopolistic businesses in East Africa? Why would BAT desert its majority owned businesses in Africa whence it sources so many of its products, having achieved pariah

status in the increasingly-off-limits developed world?

Think what might happen to prices if the serious money really comes to town on the bandwagons of generalist emerging market or pension funds, or, heaven forbid, if the GTI "Emerging Middle-Class" in Africa were ever to really develop a share-buying culture in their own markets. The money's there; you just need to look under the mattress.

It's not just Listed Equity Land that's starting to get the hots for Africa. Private Equity Land is scrambling for assets there too. Citibank Group has teamed up with CDC (the old Commonwealth Development Corporation)

in a USD 200 mn Africa Fund (for infrastructure, telecoms, manufacturing and energy). We know of several other private equity vehicles on the European runway, some of them even parked in risk-averse Switzerland.

Lastly, China will be there on a scramble all of its own, mopping up the resources that the post-colonial powers have been forced to leave behind.

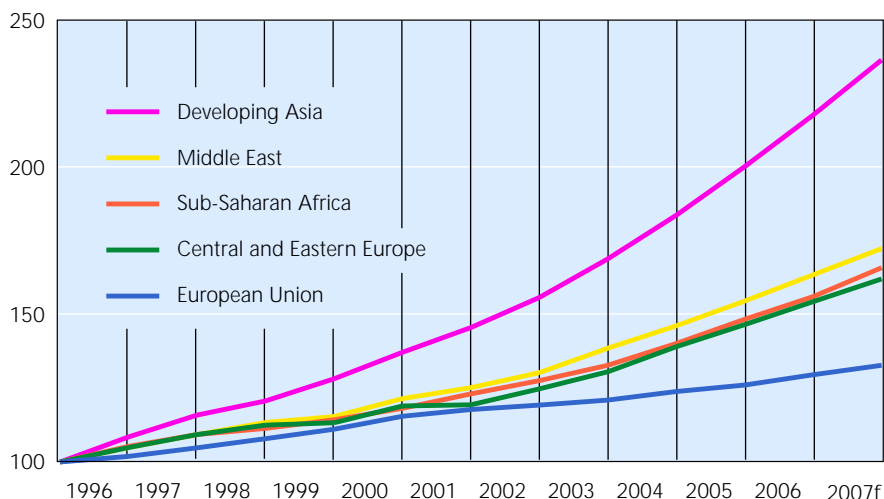
### "A Basket-Case" or "Fill Your Basket Whilst Stocks Last?"

*Sub-Saharan Africa has been one of the fastest-growing regions in the world for the last decade, if you exclude Asia.* On the next page is a chart of regional growth rates based on data in the September 2006 edition of the IMF World Economic Outlook. It excludes the worst years for Sub-Saharan Africa (the 1970s, 1980s and early 1990s). The Middle East region, another area where GTI invests through specialist advisers, is also flying high. We should qualify the numbers for Africa versus Asia.

The Asian numbers are much flattered by the inclusion of China and India ("Chindia"), both of which are substantial elements in the Asian calculation and growing at nearly 10% per annum, faster admittedly than Africa as a whole. *But if you exclude Chindia (both China and India are but single countries), Africa is growing faster than Asia "ex-Chindia".* Indeed some individual countries in Africa are growing more briskly than either China or India.

You won't find this chart reproduced in the Western Liberal Press as it's not part of the cosy consensus. It doesn't suit the politically correct "do-gooders" and self-serving "internationalists" who assiduously preserve the myths from which they benefit. (We were recently told – *sotto voce* – by "A Very Senior Person Who Ought to Know" in Geneva that Supranational Head Office keeps a certain country in Africa in the "Basket-Case" category because their resident civil servants request it; to up-grade it would mean losing their hardship allowance and juicy perks).

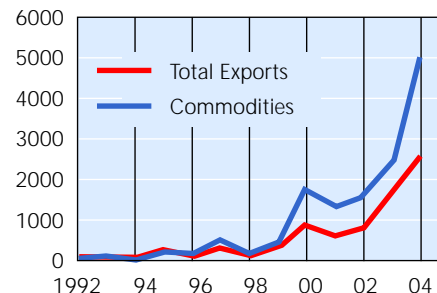
Regional GDP Growth 1996–2006



Source: IMF World Economic Outlook, September 2006 & GTI

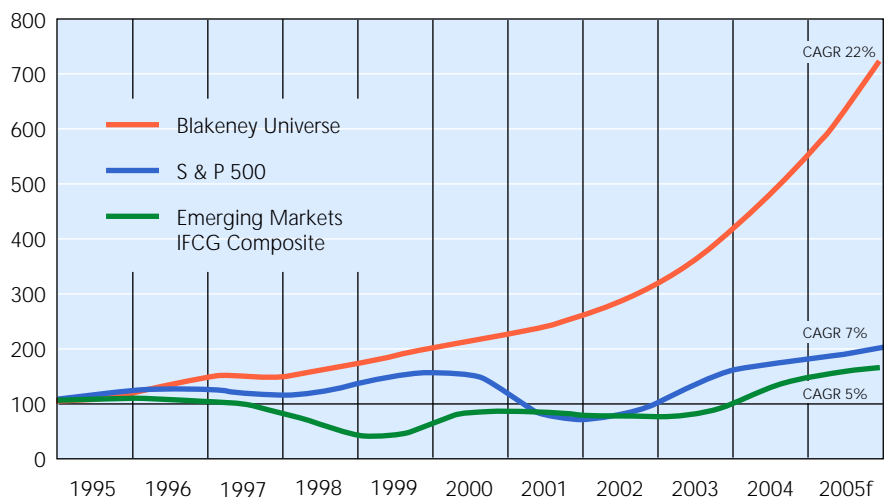
Just think what happens now that China is investing its marginal investment dollars in places like Angola (one of the world’s top oil producers and a new OPEC member in 2007) in a competitive scramble for assets against resource hungry developed nations like the USA. Battle Royal.

Growth of Africa's Exports to China Since 1992



Source: OECD

Blakeney Universe Fund USD EPS Growth 1995–2005



Source: S & P, IFC, Blakeney Research

To coin a phrase, “It’s The Chinese Economy, Stupid”.

**You can’t invest a dime in Macro-Schmacro plc**

*African companies are some of the most profitable and fast-growing in the world. One frequent mistake people make in stock market investment is to assume that macro statistics govern stock market behaviour. We won’t mount our hobby-horse once again on this subject, but we will state a simple truth: stock markets are made up of companies, not macro statistics (which are revised at best and cooked at worst).*

How have African companies done? One thing’s for sure; they’ve greatly out performed most other areas. Here – thanks to Blakeney Management of London, whose Index contains their own proprietary universe of stocks – is a revealing chart.

And Botswana-based Imara Asset Management’s portfolio displays a Return on Equity approaching 30%, a PER of 9.8x and a Yield of 4.6%.

*The main reason that many companies in Africa are so well-managed and profitable is that they’ve had to be. In a strange, distorted African version of Adam Smith’s Invisible Hand, the*

**Imara African Opportunities Fund: Allocation as at 30th Sept. 2006 and Portfolio Statistics**

	PER (07) un-weighted	Yield (07) un-weighted	EPS growth (06/07)%	Mkt. Cap. (USD m.)	ROE %	ROA %
Botswana	9.4	6.4	12.8	222	34.1	14.4
Egypt	11.3	4.4	34.5	2361	27.4	9.3
Kenya	16.6	4.7	20.4	1333	34.0	22.3
Malawi	4.4	4.6	13.9	75	19.8	13.5
Mauritius	9.3	4.8	13.9	389	16.5	9.5
Nigeria	11.3	4.2	25.8	635	32.5	9.4
South Africa	9.2	6.4	7.6	4679	24.7	7.3
Zambia	7.6	5.8	23.6	57	49.6	38.8
Zimbabwe	4.6	0.0	473.3	103	76.9	61.8
<b>Portfolio Weighted Average (ex-Zim.)</b>	<b>9.8</b>	<b>4.6</b>	19.0	Average ex-Zim.	32.7	15.3

Source: Imara Asset Management



very factors that most people cite as reasons *not* to invest in Africa – policy uncertainty, corruption, Welfare Economics etc – have been those very factors that have created winning companies. Payback time has had to be lightning fast, to protect the investment from greedy kleptocrats or economic mismanagement (a two year target for payback – not unusual – implies a Return on Employed Capital of 50%). Cash flow has had to be self generated as banking systems and credit allocation are often dysfunctional.

This has bred a generation of companies-often subsidiaries of the world’s leading multinationals – that has adapted to the challenges of Africa and in so doing has survived and prospered, eventually becoming monopolies or duopolies in their chosen markets.

**African Stock Market**

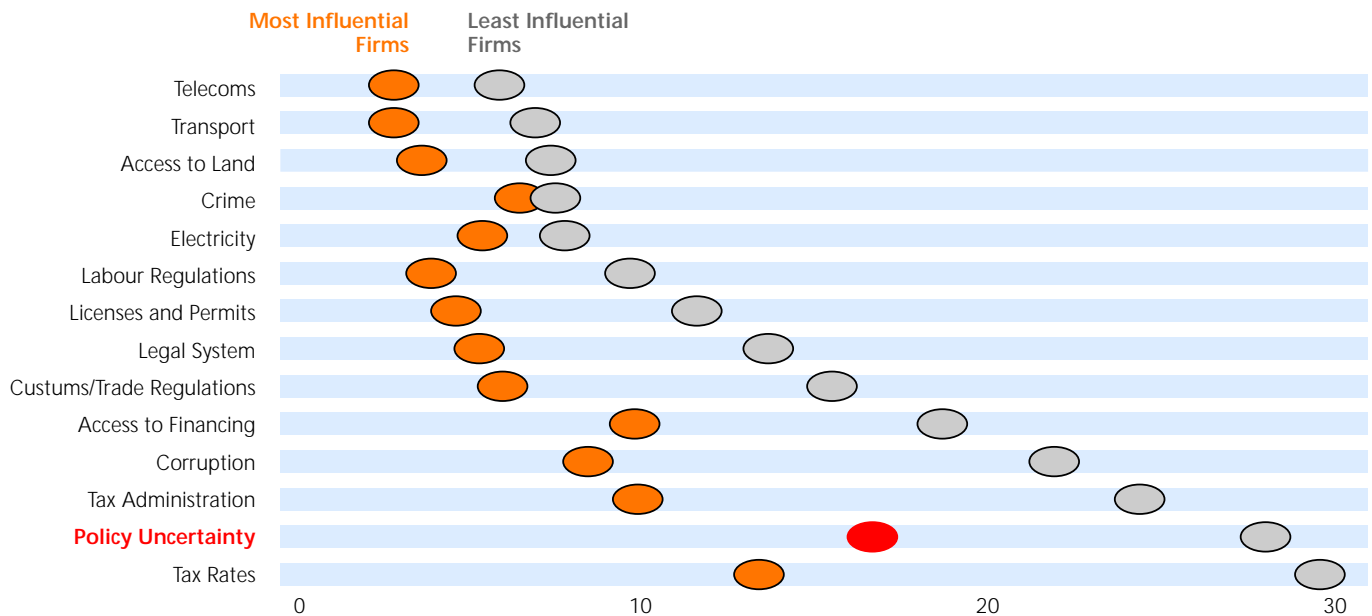
2006 % change USD

Zimbabwe Mining Index	175%
Malawi Malawi All Share	129%
Morocco All Share	75%
Botswana DCI	59%
Kenya NSE 20	48%
Tunisia All Share	48%
Mauritius SEMDEX	42%
Nigeria All Share	40%
Uganda Composite	26%
South Africa all Share	23%
Ivory Coast BRVM Composite	12%
Zimbabwe Industrial Index	12%
Namibia Local Index	11%
Egypt CASE 30	10%
Zambia LUSE All Share	8%
Ghana GSE All Share	4%
Swaziland All Share	- 11%

Source: Securities Africa

African stock markets are starting to outperform other world stock markets. Thanks to our knowledgeable friends at Securities Africa, here is the USD – yes, USD – performance of the dozen or so African stock markets for 2006. We see good performance here, but, as for African company valuations, see below, no evidence of bubbles ... yet.

**Percent of Companies Reporting Constraint to Be "Severe" or a "Major" Obstacle**  
All Emerging Markets *Including Africa*



Source: World Bank Investment Climate Surveys

**Policy Uncertainty requires a fast payback (often 1–2 years i.e. ROI of 50%) – Banks are unwilling to lend – Corporates need to generate their own cash flow – Good Business Models generate cash, often lead to monopoly and/or duopoly – Africa has plenty, mainly multinational subsidiaries.**

Look at this next table from Arisaig Partners (as fine a value-oriented investment firm as you could expect to find), and run your finger down the 5<sup>th</sup> column (“5 year performance”). Hardly a basket-case, we must agree.

### Arisaig Africa Fund: Our Universe 26 Markets (12 Invested)

Our markets	GDP (USD bn)	Mkt. Cap. (USD bn)	No. listed Co.'s	5 year performance (USD)	Population	Population growth rate 1993–2003	Government type	Life espectancy
<b>Sub-Saharan Africa</b>								
Botswana	7.8	2.8	18	115%	1.8	1.9%	Democracy	36
Ivory Coast	17.0	3.0	40	173%	18.2	2.0%	A. Democracy	45
Ghana	8.9	10.2	21	300%	22.1	2.3%	A. Democracy	58
Kenya	19.0	8.7	43	224%	34.3	2.1%	A. Democracy	50
Malawi	2.1	0.6	10	N/A	12.9	3.5%	A. Democracy	40
Mauritius	5.8	2.6	38	129%	1.2	1.1%	Democracy	72
Namibia	5.7	0.2	6	150%	2.0	2.5%	A. Democracy	51
Nigeria	97.0	21.7	57	180%	131.5	2.8%	A. Democracy	45
Tanzania	13.0	0.7	7	N/A	38.3	1.9%	A. Democracy	46
Uganda	8.7	0.2	6	N/A	28.8	3.1%	A. Democracy	49
Zambia	5.6	2.6	11	506%	11.7	2.0%	A. Democracy	39
Zimbabwe	5.8	2.4	80	6%	13.0	1.4%	Dictatorship	37
<b>Mediterranean Littoral</b>								
Cyprus	17.0	9.7	147	200%	0.8	1.1%	Democracy	78
Egypt	94.0	76.7	170	615%	74.0	2.0%	A. Democracy	67
Jordan	12.0	34.6	164	315%	5.7	3.6%	C. Monarchy	71
Lebanon	22.0	8.0	19	224%	3.6	2.1%	A. Democracy	70
Malta	5.7	5.3	11	195%	0.4	0.6%	Democracy	79
Morocco	53.0	37.7	59	157%	31.5	1.7%	C. Monarchy	71
Tunisia	29.0	3.4	48	52%	10.1	1.3%	A. Democracy	72
Turkey	363.0	185.0	346	262%	73.5	1.6%	Democracy	70
<b>South Africa</b>								
South Africa	203.0	503.0	424	189%	47.4	1.4%	Democracy	49
<b>GCC</b>								
Bahrain	13.0	33.0	48	110%	0.7	1.4%	A. Monarchy	72
Kuwait	81.0	118.3	163	450%	2.7	3.2%	A. Monarchy	77
Oman	30.0	17.0	108	218%	2.6	3.2%	A. Monarchy	74
Qatar	29.0	59.5	38	419%	0.8	1.9%	A. Monarchy	74
UAE	104.0	159.3	78	456%	4.5	2.6%	A. Monarchy	73
<b>Total</b>	<b>1252.1</b>	<b>1306.2</b>	<b>2061</b>	<b>257%</b>	<b>573.8</b>	<b>2.1%</b>		
India	786.0	765.0	4785	422%	1059.0	1.4%	Democracy	62
South Korea	788.0	796.0	1689	276%	48.0	0.4%	Democracy	77

A. Democracy = Authoritarian Democracy; A. Monarchy = Absolutist Monarchy ; C. Monarchy = Constitutional Monarchy

Source: Arisaig Partners Investment Managers

**But you can invest in cheap companies that are growing fast**  
*African companies and markets are cheap both in relative and absolute terms.*  
 We won't get embroiled in a discussion of valuations. Let's just say that PERs,

Price to Book Values and yields relative to other markets and their growth rates are outstanding value in Africa. And – this is a big subject – accounting standards are probably better in Africa than other emerging markets because

of the post-colonial legacy of Britain on the East Coast and France (Code Napoléon *et tout ça*) in the West. Here's a table from Imara Asset Management that gives a flavour for the type of company to be found there:

### African Companies: Stock Examples

			5 year growth			2007	
			EPS	DPS	ROE	PE	Yield
Zambia	<b>National Breweries</b>	Main producer of „Chibuku“ beer	36%	46%	107%	12x	8%
Kenia	<b>BAT Kenya</b>	Main regional cigarette producer	20%	10%	30%	11x	8%
Egypt	<b>Olympic Group</b>	Leading „white goods“ producer	31%*	51%*	27%	11x	5%
Nigeria	<b>IBTC</b>	Leading investment bank	16%**	16%**	21%	6x	9%
Zimbabwe	<b>Dawn Properties</b>	Owns key hotels in Zimbabwe	Replacement value >USD 100m vs mkt cap of USD 35m				
Botswana	<b>CIC Energy</b>	Developer of Mmamabula coal/power project	Huge upside				

Source: Imara Asset Management

\* 3 Year growth due to restructuring \*\* 1 Year due to restructuring

restructuring

In addition, as the table from Investec shows, investing in African stock markets means adding investments in an area that is largely “uncorrelated” to the rest of the world. It therefore provides arguably the only “free-lunch” in investment, superior returns and diversification (read: “lower portfolio risk”).

We've selected an adviser for GTI satisfying the necessary “factor skills” (the specific skills needed to be successful for investment in a particular GTI theme). They also satisfy the five GTI criteria. The adviser we've selected is small and nimble enough to give us plenty of bang for our bucks or Euros and his investment style is a

value-oriented one. Above all, the manager has the African experience and ego-control necessary to be able to machete his way through the African investment jungle without getting side-tracked. We think we'll make good money in Africa. We'll certainly return to the theme many times in the future.

### Low Correlation to EM and Other African Markets

5 years to 31 July 2006	Kenya	Ghana	Egypt	Mauritius	Tunisia	Nigeria	Zambia	Namibia	Bots-wana	Morocco	South Africa	MSCI EM (USD)
Kenya	1.00	-0.03	0.30	0.29	0.17	0.25	0.00	0.11	0.03	-0.03	-0.01	0.09
Ghana		1.00	-0.02	0.16	0.02	0.28	-0.09	-0.17	-0.01	0.03	-0.20	-0.05
Egypt			1.00	0.35	0.04	0.00	0.05	0.18	0.03	0.19	0.22	0.29
Mauritius				1.00	0.05	0.30	0.16	0.03	-0.02	0.08	0.02	0.18
Tunisia					1.00	-0.16	0.12	-0.04	0.07	0.17	-0.07	-0.01
Nigeria						1.00	-0.13	-0.10	-0.10	-0.01	-0.11	-0.07
Zambia							1.00	0.02	0.11	0.12	0.06	0.01
Namibia								1.00	0.37	0.24	0.79	0.59
Botswana									1.00	0.14	0.35	0.37
Morocco										1.00	0.31	0.44
South Africa											1.00	0.71
MSCI EM (USD)												1.00

Source: Investec Asset Management

# So What Does 2007 Hold for GTI?

*Barbell strategy – Efficiency versus Scarcity – until we are more confident of this pre-electoral year*

**W**e hate market timing. GTI is not a timing tool. But where GTI tweaks market and investment timing for asset allocation purposes, it relies on external advisers. Bruce then screens forecasts through his Investment Strategy Network system – the same system that he used when managing a few hundred billion of Abu Dhabi government money – and if the numbers add up, we usually feel brave enough to adjust the portfolio. Our main timing adviser is a small firm tucked away in a corner of West London called Fullermoney (www.fullermoney.com). David Fuller and Eoin Tracey helped us sift through the rhetoric, emotion and hyperbole of the May correction and on to our 4<sup>th</sup> year of 20% performance. Thank you, David and Eoin.

Though it now seems a lifetime ago, our sweaty-palmed call to “Get Invested” in mid-2006 seems to have worked out OK. Where we earned the dunce’s hat was to predict that the markets

would rally +15% by year end. They did more than +20% in most places. The combination of lower oil and bond yields once again did the trick. (Far and away the most important asset in the world for equity investment is the US Treasury Bond ... never invest a dime without taking its pulse). Whilst making 20% for the fourth year running has been a pleasant experience for our investors, it leaves us in an interesting position.

Equity markets are now, by some measures, “fair value”. Gold (a very rough proxy for commodities) is cheap. Bonds are expensive but becoming cheaper (i.e., in a bear market). See the chart below from Valu-Trac research.

We are therefore in an environment where equity market risks have increased. We watch closed end funds and their discounts or premia to Net Asset Value like a hawk. Current valuations versus June’s are much less appealing. Back then, some of our GTI funds were trading at 10%+ discounts

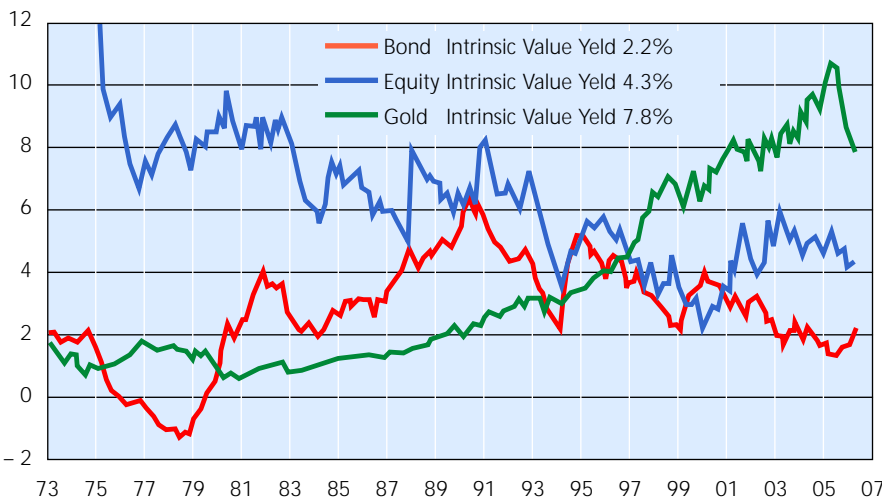
to NAV. Now, some GTI funds are trading near-par (and a couple are even on oxygen, trading now at a premium). So we need to test the hypothesis that the water is still safe to swim in. We think it is. (We admit that we make no allowance for Israeli bunker-bombs, or worse, in the 15 or so Iranian nuclear sites, or trouble in Failed State hot-spots like North Korea ... we’re not in the business of predicting Armageddon). In fact, with our GTI philosophy, we leave pretty well all predicting to others and concentrate on the vital asset-allocation.

First, the US pre-electoral year bull-argument, thought widely held, seems to us to be valid. This is pump-priming time in the USA, not hair-shirt time. Escape the rhetoric, self-interest and press puff and you’ll find that the global economy is trucking along at a fair and synchronized clip without any obvious investment “bubbles”.

Second, our GTI areas ... emerging markets, Japan, energy, commodities ... seem to be well placed. Despite our reasonable performance numbers, some had tough years in 2006 and are set to do well in 2007. It’s comforting to be holding the same “under-performing assets” (like pharma, Japan and energy) after a 20% up-year overall. Asset prices – over time – tend to revert to the mean, so 2006’s dogs might start to bark in 2007.

So we’re continuing with our Barbell strategy in GTI (long “Efficiency”, short “Scarcity”), though the portfolio today has fewer big bets than in October with fewer over – and under-weights. We’re hedging out the risk of slowdown (a potential slap in the face to our aggressive exposure to the **Supply Inelasticity, Energy and Alternative Energy** and **Developing China** themes) with full positions in the more defensive **Ageing Population** and **Water and Ecology** and **Restructuring Japan** themes.

Gold, Equity and Bond Intrinsic Values



Source: Valu-Trac Research

The histories of these three intrinsic values show the attraction today of “alternative” investing, for which gold is here used as a proxy, because of superior and declining intrinsic value. Gold intrinsic value (green line) is now superior to intrinsic values of both the world bond and equity markets. It is also reducing absolutely and relatively to each in a “bull” market. World equity market intrinsic value at 4.3 pc (blue line) is less competitive but at least it is not as low as it was at the end of the stock market “bubble” in 2000. Then it was actually lower than that of the world bond market (red line), which is now rising in a “bear” market.



### 5% to 10% correction in 2006, but GTI advisers still positive

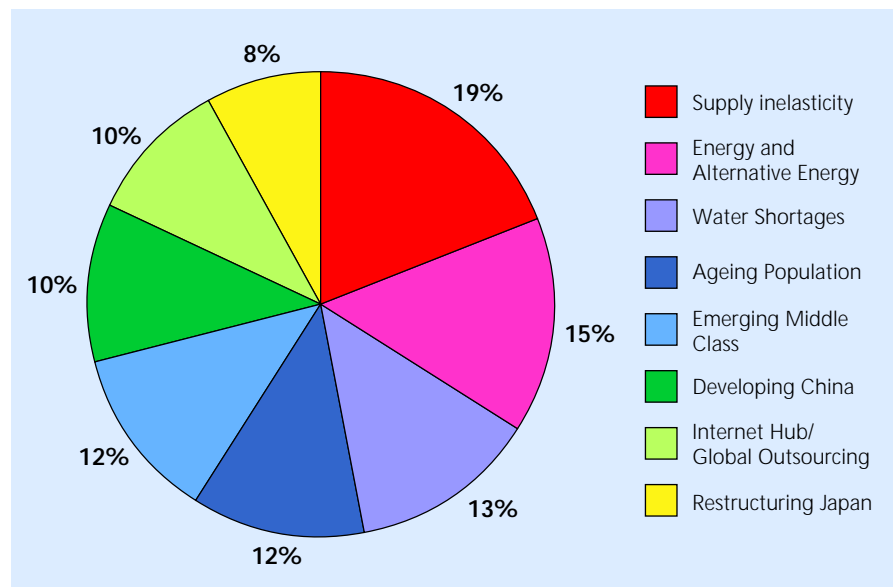
The M&A boom we have written about so many times, is continuing in many of the GTI areas; Japan, Mining, Pharma. Our GTI advisers remain largely confident. We are fully invested. So what could go wrong in 2007?

We think there will be a worldwide stock market correction of 5–10% in 2007. Many of our GTI advisers agree.

Surprises? We think China might stumble. We watch US emerging market equity fund flows closely, thanks to EPFR Fund Data Monitor. What David Fuller calls “The Wall Street Leash Effect” is a critical factor for GTI markets. US emerging market fund inflows are at record highs for the second year running after investors pumped another USD 1.5 bn into them during the third week of December. Net flows were up about 10% over 2005’s USD 20 bn. Much of the new money coming into emerging markets equity funds is chasing China.

Of the USD 22 bn of new money, USD 11 bn, or half of the total of all emerging markets equity funds tracked by EPFR, went into China related equity funds. GTI is cautious on Chinese funds for this and other reasons, though less so on the client economies of ASEAN, Taiwan, Hong Kong etc. The 2007 sale of Chinese State Owned enterprises – see our *Developing China* adviser’s comments – seems to us to spell more supply rather than increased demand.

### Here’s our current GTI thematic allocation:



### And here’s our USD performance

in balanced accounts, audited by Horwath International of Zurich for 2003, 2004 and 2005:

GTI	2003 (4Q+)	+ 23.6%
GTI	2004	+ 18.6%
GTI	2005	+ 19.8%
GTI	2006	+ 20.1% (audit due)

### Our EUR based P&C GTI Fund

a largely invested equity fund – since its launch on 1/8/06:

GTI	2006	+ 6.2%
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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<sup>1</sup>, 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.

Our eight winning global themes that are shaping our economic and investment lives are:



The Restructuring of Japan



Supply Inelasticity in Commodities



Energy and Alternative Energy



The Emerging Middle-Class



Global Outsourcing and Internet Hub



Ageing Population



The Development of China



Water Shortages and Ecology

When the facts change, as Keynes said, we’ll change our mind on some of these eight themes, but our best guess is that we may be retired long before we do.

GTI investment advisers all share five distinguishing characteristics:

## 1. Investment Edge

The best managers have an “edge” in their chosen market. It doesn’t particularly matter what it is, as long as they’ve got it

## 2. Research

The best managers are research – and not marketing – intensive

## 3. Good Performance in a Bad Market

Good friends are staunch in bad times.  
Good managers do better than the crowd in bad times.

## 4. A Good Idea at a Good Price

Great managers – like great generals – usually have the “luck” to be in the right place at the right time. We require that they understand that the good idea must also be attractively priced.

## 5. People, People, People

Venture capitalists usually seek companies run by people who are serial successes in the same field over many years. Investment adviser selectors should do the same. The best of them have excellent ego-control despite their success.

<sup>1</sup> Although we refer to “funds” and “managers” in this paper we may use direct shareholdings if appropriate funds do not exist. These directly held shares will be screened using our proprietary ISN system for their correlation to particular themes and factors to ensure efficient portfolio management.

# Restructuring Japan

*The rising sun also rises*

## News from our advisers

*Our principal specialist Japan adviser – a mid and small cap value manager – wrote at the end of December:*

*We enter 2007 in a much more positive frame of mind than we began 2006. The market had risen by some 44% in 2005 and individuals' long margin positions were at levels last seen in 1991. Foreign sentiment towards Japan was immensely positive and technically the market was looking overbought. We consequently held close to 20% cash. The converse now applies and we are fully invested. Individuals' margin positions have corrected back to levels of January 2005 and foreigners' sentiment is at best lukewarm. More importantly our stocks are much cheaper; indeed at the lows in November some negative enterprise values began to appear again.*

*The corporate revolution is still in its infancy. The year saw the first hostile takeover battle between two large domestic companies, **Oji Paper**, advised by **Nomura**, and **Hokuetsu**, but there were many more friendly mergers and acquisitions with December seeing **Hoya** merging with **Pentax** and speculation that **Matsushita** might sell **JVC**. **Skylark**, the restaurant chain, undertook the first western style MBO, financed by **Nomura Principal Finance** and **CVC Partners**. This has been followed by **Toshiba Ceramics**, where **Toshiba** was prepared to sell its 40% stake, and **Suntelephone** which this month succumbed to a MBO under pressure from its largest foreign shareholder.*

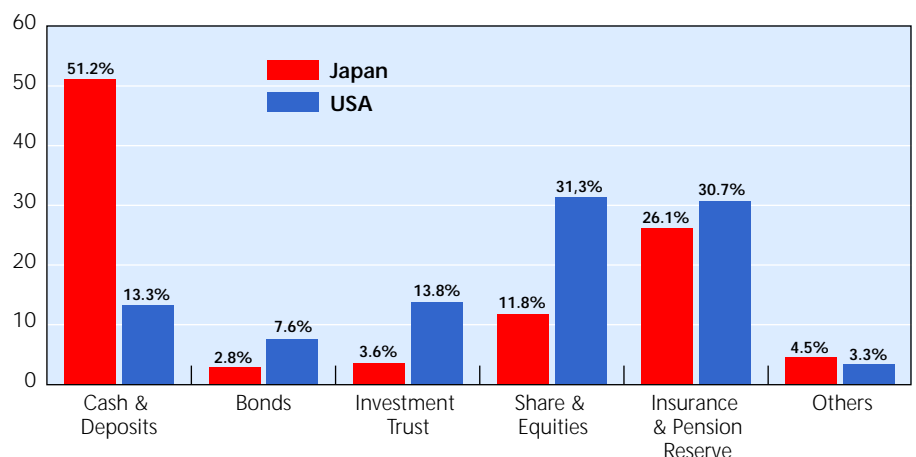
*With equities so cheap against debt it is only a matter of time before there are more wholesale changes in the balance sheets of Japanese companies. If existing management does not bring this about then more aggressive investors will. That there is the appetite for equity investment is not in doubt as the 250 million **Nippon Steel** shares traded in the last half day's trading of the year shows. If Japanese liquidity was to stay at home rather than flow overseas then our inexpensive portfolio, trading round about book, will be in a good position.*

**This adviser's USD performance numbers since their fund's inception in 4/8/99, when we were still in a Japanese bear market are:**

	Year-to-date (end 12/06)	Since inception
<b>Manager performance</b>	- 4.9%	+ 94.2%
TOPIX Index	+ 0.7%	+ 10.5%
Nikkei 225	+ 5.6%	- 6.5%

**GTI comment:** we have doubled GTI weightings in Japan in the last few weeks, mainly in underperforming small cap. The money-machine is primed in domestic Japan (see how much firepower Japanese have compared to Americans in the chart above). We think we might feel its effects in our GTI fund this year, after an "annus horribilis" in 2006.

**Potential Financial Assets Held by Households as of March 2006**



Source: Flow of Funds Accounts, FRB, BOJ

# Supply Inelasticity

*Small cap is hot*

## News from our advisers

Our principal specialist commodities advisers wrote at the end of December:

Our fundamental value-based approach suggests that the emerging gold producers are still relatively undervalued and should continue to outperform the broader gold market in 2007. Lingbao Gold, an established Chinese gold producer, was the fund's best performer for 2006. The set of longer term fundamentals impacting the gold market remain excellent. In December the Iranian government ordered the central bank to replace the greenback with the Euro in commercial transactions. Furthermore the UAE central bank recently announced that it was to convert 8% of its foreign reserves into the Euro. Currently 98% of its USD 25 bn reserves are in USD. Mine production is ex – growth and, despite record exploration spending in 2006, there will be limited supply-side response. The multi-year time lag between discovery and production is further constrained by critical path issues such as permitting delays, staffing shortages, political uncertainty and cost increases.

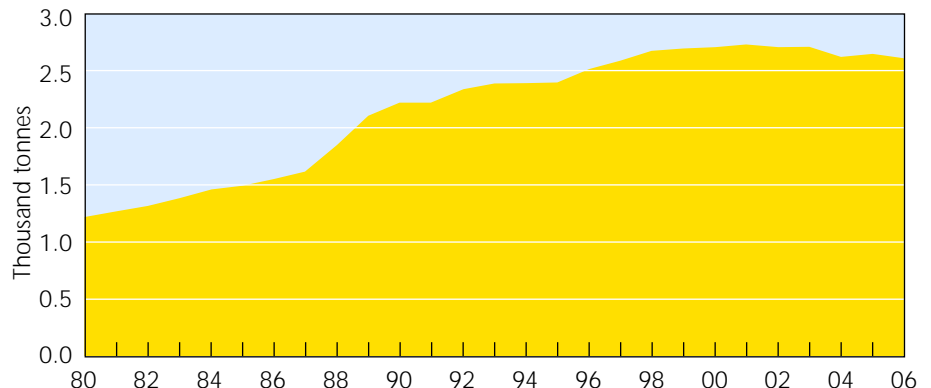
This adviser's USD performance numbers since their fund's inception in 1/4/03 are:

	Year-to-date (end 12/06)	Since inception
Adviser performance	+ 36.6%	+ 267.4%
FTSE Gold Mines Index	+ 12.6%	+ 118.8%
Gold Bullion	+ 23.2%	+ 88.7%

**GTI comment:** it is not only emerging and small cap gold producers that are looking cheap. Here is a chart of the PER for RTZ, the industrial metals giant:

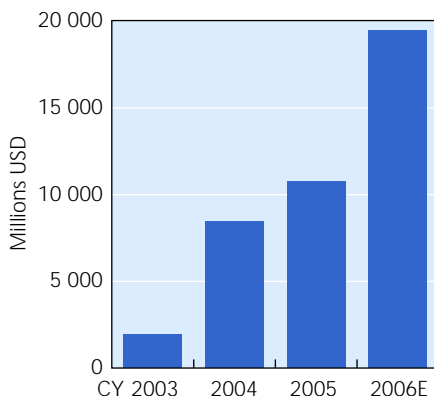
These giants command huge cash armouries, so the gobbling up of smaller mining companies is certain to continue in the years to come, further underpinning prices. It may be cheaper to simply buy the gold mining minnows than go through the increasingly laborious, environmentally challenged and glacial – literally! – process of mine development:

World Gold Mine Production, 1980–2006



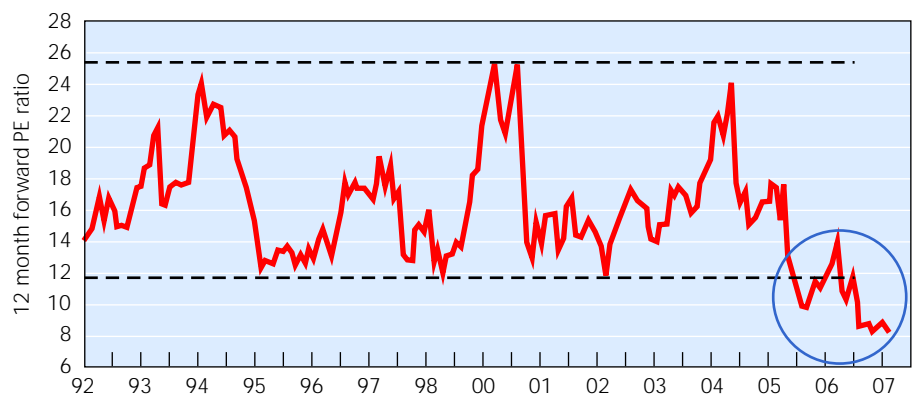
Source: World Gold Council, CIBC estimates

Capital Management by the 3 UK Mining Majors



Source: Rio Tinto, BHP Billiton and Anglo American Company Report, Citigroup, Reuters

PE for the Metal Giant Rio Tinto



Source: DataStream, Goldman Sachs. Monthly data at 10th January 2007

Since gold reserve life is so low, at nearly 13 years, and since their cash piles are mountainous, the easiest best way out for the majors is to buy the smaller miners, preferably those in politically secure parts of the world:

**Gold Reserve Life is Low**  
*Production life of known ore reserves and resources*

	Scale	Reserves 2004	Production 2005 E	Reserve life	Resources 2004	Production 2005 E	Resource life
<b>Iron ore</b>	Mt	160 000	1 494	86	370 000	1 494	198
<b>Bauxite</b>	Mt	23 000	156	118	33 000	156	169
<b>Copper</b>	Mt	470	16	24	940	16	48
<b>Nickel</b>	Kt	62 000	1 417	35	140 000	1 417	79
<b>Zinc</b>	Kt	220 000	10 100	17	460 000	10 100	36
<b>Lead</b>	Kt	67 000	3 150	17	140 000	3 150	36
<b>Tin</b>	Kt	6 100	250	20	11 000	250	35
<b>Gold</b>	Kt	42	2.51	13	90	2.51	29

Source: Investec Asset Management

Since 1998 exploration budgets of gold mining companies were cut by 76%. Tomorrow's ounces will come from "difficult" regions – Peru, DRC, Russia, China: Scary for the big guys. Discoveries are at all-time low.

We want to maintain a full weighting in this GTI theme. Sentiment has become too bearish of late whereas valuations and supply/demand will continue to promote further consolidation in the mining industry. We're looking at an interesting smaller GTI adviser. He specialises in smaller mining names. The team is hungry for success, is well road-tested and has already tucked away several good years of impressive performance.

# Energy / Alternative Energy

*We think we're agnostic on oil but we're not quite sure*

## News from our advisers

*Our principal specialist energy fund advisers wrote at the end of December:*

*The combination of only a small increased demand from OPEC oil and OPEC's increased spare capacity (from the cuts in production being made) will require disciplined management from the cartel. The IEA forecasts an increase in global demand in 2007 of 1.7% over 2006 (previous increases were 1.1% and 1.4% year o year) with both Chinese and Middle Eastern demand forecast to increase by 5.4%.*

*The effect on oil demand of a USD 30–75 oil price will continue to be surprisingly modest.*

*Current portfolio. The invested fund at 31st December 2006 was on a PER (2006) of 10.5x (12.9x 2005 ... By comparison the S&P 500 Index at 1418.30 was on a PER of 16.7x (2006).*

*Our integrated and similar stock exposure (c 30%) is comprised of a mix of mid-cap and large-cap stocks. Midcaps are **Conoco-Phillips, Marathon, Occidental, OMV, Amerada Hess, and Petro Canada**. Our three large caps are **Royal Dutch Shell, BP and Chevron**.*

*Our E&P and Oil Sands exposure (c 35%) gives us exposure most directly to a rising or sustained high oil price.*

**This adviser's USD 5 year performance numbers to 31/12/06 are:**

Adviser performance	+ 256.41%
Sector performance	+ 146.36%

	2005	2006
Fund PER	12.9x	10.5x
S&P 500 PER	18.5x	16.7x
Premium + Discount –	– 30.3%	– 35.9%
Fund 2005 versus S&P 500 2006	– 22.7%	
West Texas Intermediate crude average USD/barrel	56.6	66.1

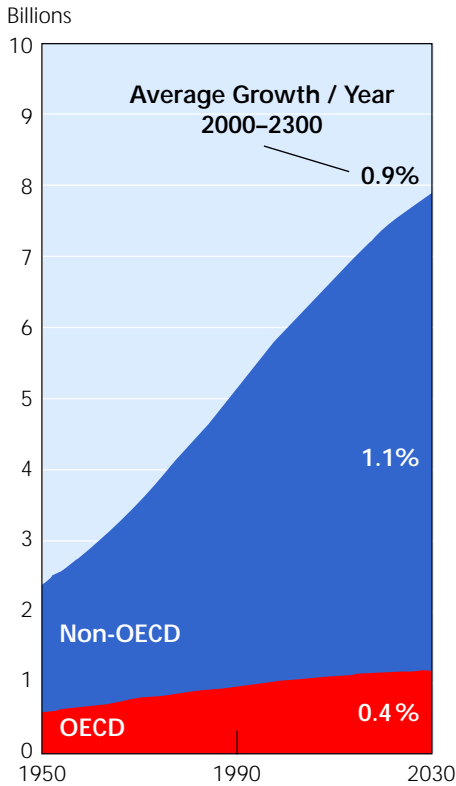
**GTI comment:** our adviser runs our money on the basis that if you're nervous about the outlook for oil, you shouldn't be holding the fund (this was also former star gold fund manager Julian Baring's cry when he was managing the Mercury Gold and General Fund in the 1990s). We like that. It keeps an adviser on the lookout for

good opportunities in his sector and less worried about the white noise that drives nervous fund managers to cash and drink in the nervous times. It also keeps us on our toes as asset allocators. We've spoken before about how the oil sector should trade at a premium to the market, given the fundamentals of the industry (it did in the 1970s).

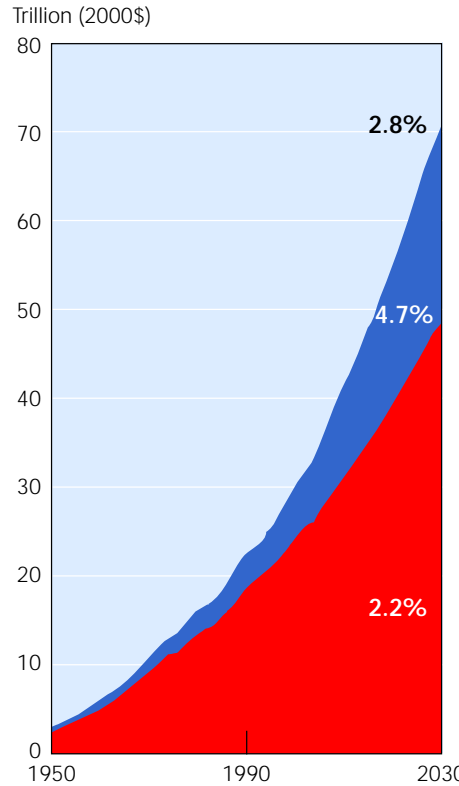
We read with interest the self-serving piece by ExxonMobil on the long term energy outlook. We show below the charts ExxonMobil has produced (by the way, we wonder why ExxonMobil makes little mention of Nuclear energy. Maybe it doesn't exist, except in Iran).

Global Economics and Energy

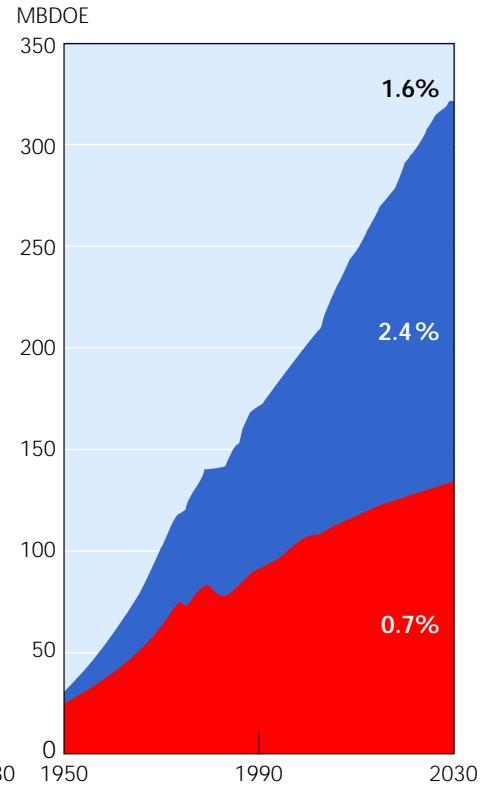
Population



Gross Domestic Product



Energy Demand



Source:Exxon Mobile

ExxonMobil's forecast of 4.7% growth for the non-OECD (read: developing countries) over the next 25 years is truly baffling. Presumably this is a key forecast underpinning its business strategy. Does ExxonMobil really think that the developing countries are growing at a composite total of 4.7% for the next 25 years? China and India are motoring along at double this rate for

most of the last few years and most of Asia is in the fast lane too. Africa, as we explained, is probably going to lead the charge. Exxon's numbers means that large chunks of the emerging world are growing at close to zero. Really? Who? This is where contrarian investment comes into its own.

We have recently doubled our energy and alternative energy theme

investments (towards GTI benchmark neutral 12% from a maximum underweight position of 5%). We are focused more on straight oil production advisers than alternative energy advisers as we did before.

Our agnosticism on the oil price is matched elsewhere. So although we feel a mite lonely today, we think we won't be lonely for long.

# Emerging Middle Class

*Irreplaceable replacement value*

## News from our advisers

*Our principal specialist emerging middle class advisers wrote at the end of December:*

*Despite the excess liquidity evident in virtually every economy, we struggle to identify a source for significant inflation in goods and services. Asset prices will continue to act as the pressure valve for global liquidity. Further, most of the realistic risks we can identify are deflationary such a slower growth or over zealous central banks ... Using traditional valuation measures, the MSCI Emerging Markets Index reached a PE of 28x in 1995, its last cyclical peak. The PE today is 16x trailing earnings and 13x expected 2007 profits ... Using our more objective replacement cost model the best sectors trade up to 50% below their 1994 levels whereas commodity sectors such as mining and oil trade at significant premiums. The average discount to replacement cost is currently 8.5%, not a historical low, but certainly not a valuation level indicative of excessive exuberance ... Researchers at Bank Credit Analyst point out that "... many investors seem to have fought this equity bull market all the way".*

*Another of GTI's emerging middle class advisers wrote about Africa:*

*Overall, the fund has risen roughly in line with earnings' growth and the portfolio continues to emphasize the markets in sub-Saharan Africa ex-SA ... domestic investors have been driving their own markets for a number of important reasons, not least because of the general fall in interest rates. Also, in Nigeria and Botswana, government has encouraged both public and private-funded pension funds. This will be a key driver of these financial markets in the years ahead ... Most of the recent (Kenyan) issues have been (indiscriminately) over-subscribed with substantial returns albeit on the few shares finally allocated. **First Merchant Bank** in Malawi also successfully raised capital, the first private sector company to do so since the market was established. As demand grows and prices rise, we expect to see many more listings in the years ahead. Real yields in several important countries are now negative. For domestic investors these negative-to-zero real returns are now highly unattractive compared to the recent past and enhance the attraction of local equities. There is also a growing interests in Africa ex SA from overseas and SA institutions ... we may well find that markets are re-rated during 2007 and possibly to high levels.*

**GTI comment:** Africa is our big, new GTI theme. There are no signs of bubbles yet in these markets. Earnings growth is keeping pace with the fund

price. We have also nearly doubled our money in three months in Vietnam recently with an exciting fund that – like the African fund above – is a prime

**This adviser's USD performance** numbers since their fund's inception in 1/4/02 are:

	Year-to-date (end 12/06)	Since inception
<b>Adviser performance</b>	+ 31.6%	+ 239.5%
MSCI Emerging Markets Index	+ 29.2%	+ 178.5%

**This adviser's USD performance** numbers since their fund's inception in 1/7/05 are:

	Year-to-date (12/06)	Since inception
<b>Adviser performance</b>	+ 30.03%	+ 31.70%
MSCI Emerging Markets Index	+ 29.18%	+ 54.66%

beneficiary of our **Emerging Middle Class** theme. We're thinking about taking some of your money off the table there.

# Global Outsourcing/Internet Hub

Let's try guru dot com

## News from our advisers

Our principal Global Outsourcing / Internet Hub advisers (India Fund) wrote at the end of December:

India recorded its fourth year of substantial gains with BSE Index having quadrupled over this period. As in China, this year's performance was mainly driven by large caps with the likes of **ACC**, **Grasim** and **Reliance Industries** rising 103.2%, 100.5% and 85.6%, leaving us to some extent treading water.

Our failure to pick up on the cement sector, and also land revaluation stories for a number of old industry businesses with disused factories in city centres, cost us in relative terms; as did the poor performance of specialist tyre producer **Balkrishna**.

In the case of our India fund, we are more optimistic currently for its minor market exposure to Sri Lanka and Pakistan. We expect India itself to take a breather whilst earnings catch up with valuations.

Our adviser's USD performance numbers since their fund's inception are:

	Year-to-date (end 12/06)	Since inception
Adviser performance	+ 24.0%	+ 365.0%
FTSE India Index	+ 47.5%	+ 146.0%

**GTI comment:** This adviser has had a tough 2006, though few would argue against his longer term numbers. We should not forget why we are investing in India. The GTI theme of Global Outsourcing has rarely been better explained than by James Breiding and his team over at Naissance Capital in Zurich, a specialist investment boutique. In a superb recent newsletter, called, "Who Moved My Moat?", James writes:

"The truth about outsourcing is that it is more permanent than cyclical. How can an internal "cost centre" compete against a company winning business by selling the same services to demanding clients? Who will do the job better and faster? A hungry young aspiring Indian university graduate (with honours no less) or a middle-aged woman with a high school education, surfing the internet between cigarette breaks, and anxious to clock out so she can join her bowling team. All this at 80% of the price and variable, so if clients don't like it, they can cancel at a moment's notice. No wonder that the term "we got Bangalored" haunts the middle-management halls of corporate America and Europe.

### Outsourcing Example GE Division

	Outsourcing Before	After	Impact
Sales	100	100	
Labour	60	45	25% Reduction
Materials	20	20	
SG&A	10	10	
Costs	90	75	
EBITDA	10	25	150% Increase

I point this out since the central argument among "bears" is that interest rates, inflation and corporate profits are simply too good to be true and must sometime revert to their historical mean. With a billion ambitious, increasingly educated people entering the labour

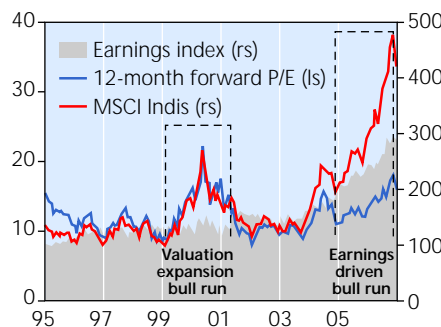
force from Asia during our generation at a fraction of western wages we beg to differ. When was the last time you heard about a favourable wage settlement by once powerful unions in Europe and America?

Profits for members of the Standard & Poors 500 Index have now climbed more than 10% for the 13<sup>th</sup> straight quarter, matching the longest streak since 1950. Outsourcing and better management explain more of this than statistical models based on tired historical data."

We think James is right about developed world earnings. Anyone who wants to test James' thesis should go onto [www.guru.com](http://www.guru.com) and put out to tender a job like his tax return, a research project or a book-keeping task in the overnight market. You'll be amazed at what comes back at you.

A major issue for the GTI outsourcing theme remains the quality of work done. But, one thing's for sure. Outsourcing – like the internet – is here to stay. This is one reason why we also remain of the opinion that India – the beneficiary of this sea-change in work patterns – could one day become a "bubble" market à la Japan in the 1990s.

### Boom or Bubble?



Source: Goldman Sachs

# Ageing Population

*Blood in the streets but sticky-plasters in sight*

## News from our advisers

*Our principal specialist pharma and biotech advisers wrote at the end of December:*

*December was a mixed month for the drug sector as biotechnology shares declined while pharmaceutical company stocks posted modest gains. A key driver of the biotech rally earlier in the fourth quarter had been the flurry of high-priced acquisitions of small and mid-sized biotechnology companies. December saw virtually no M&A activity, resulting in a loss of momentum for the biotech sector. We expect M&A activity to increase again early in the New Year.*

*In the US Andrew von Eschenbach was finally confirmed as head of the FDA, the agency responsible for drug approvals. As a physician and cancer survivor, Mr von Eschenbach will likely bring a much needed focus to the agency on the expeditious approval of important new medicines.*

**This adviser's GBP performance** numbers since their fund's inception in 4/95 are:

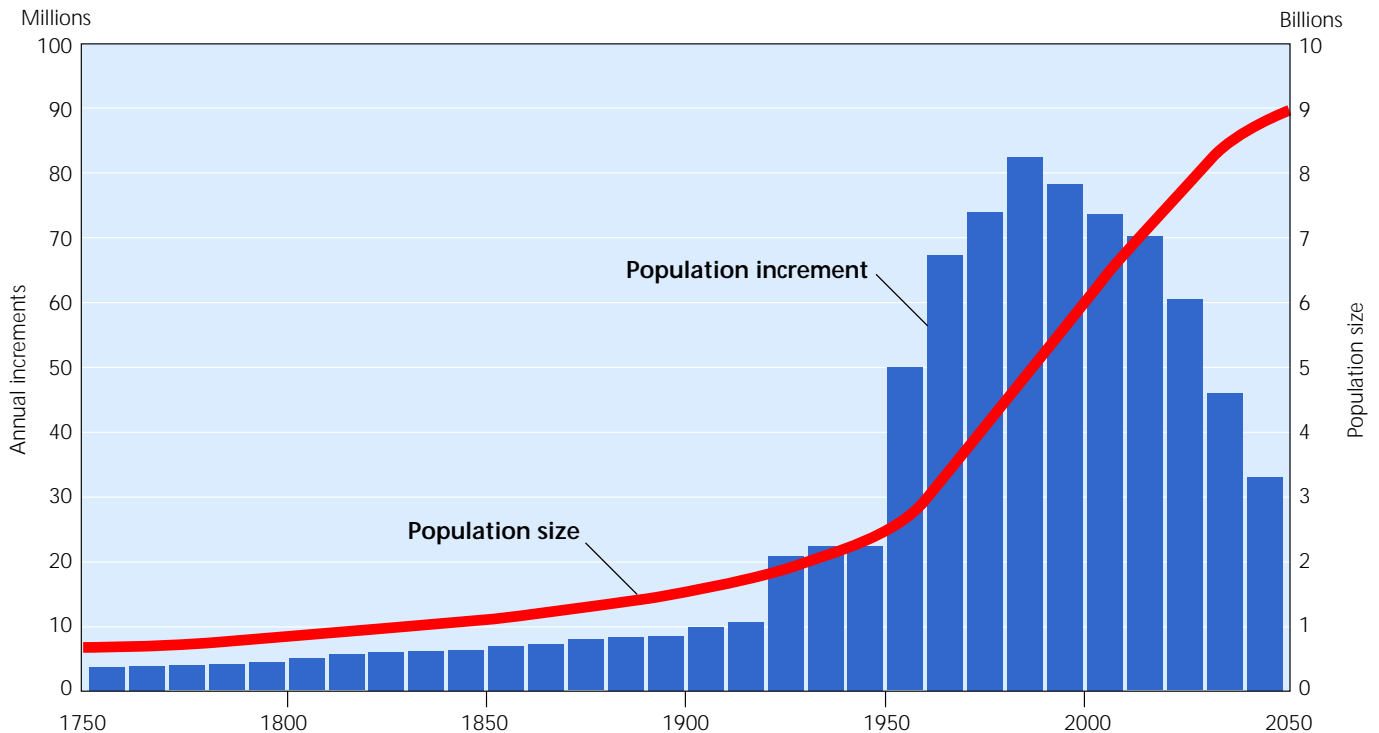
	Year-to-date (end 12/06)	Since inception
<b>Adviser performance</b>	- 7.9%	+ 432%
Datastream World Pharmaceutical Index	- 0.4%	+ 238%

**GTI comment:** Pfizer is hacking back 10,000 jobs in its bid to restore profitability. Other major pharma companies would like to do the same. The whole

FDA drug approval process is under review at the moment. Consolidation in the States is a virtual certainty. Pharma valuations remain attractive.

There is not much more to say about this sector for now, except that it may remain a GTI "sleeper" for a while until the fashion changes.

**Global Demographic Trends Are Changing**



Source: United Nations Population Division

# Developing China

*Getting expensive*

## News from our advisers

*Our principal specialist Asian advisers wrote at the end of December:*

*We were rewarded by our early prospecting in Vietnam. This market ended the year up 142.3% with a total capitalisation of USD 9.1 bn, up 18 times from its start-of-year level. The fundamentals for our region appear to us to be stronger than ever. Current account surpluses are for the most part substantial and rising; currencies remain undervalued; and pent-up consumer demand is some way from being fulfilled. Furthermore, with minor exceptions, notably Thailand, free market reforms are accelerating, the most recent example being accounting reforms and a unified tax code in China resulting in an effective cut in corporation tax from 33% to 25%. Indeed the recent announcement by the Chinese authorities of their intention to restructure the remaining 160 State-Owned Enterprises supports our view that these will be the subject of investor interest in 2007. The process across the region of disregarding the old-style Japanese business model in favour of a more profit and shareholder-minded focus has ... still miles to run which is the underpinning of our continuing optimism. That said, valuations appear to us to have moved a long way ahead of these fundamentals, notably in China, India and Vietnam. The FY 2006 PER on our portfolio has reached 19.5x. We continue to trim. Our road map envisages markets taking quite a tumble some time over the first quarter and then, much like the previous three years, staging a come back to new highs and even more excessive valuation levels by year end. Investment bubbles would appear to be a feature of today's deflationary world, with Asian markets ... a candidate in waiting.*

**This adviser's USD performance** numbers since their fund's inception in 1996 are:

	Year-to-date (end 12/06)	Since inception
<b>Adviser performance</b>	+ 29.1%	+ 279.5%
FTSE Asia Pacific Large Cap (ex Japan)	+ 33.4%	+ 33.4%
FTSE Asia Pacific Small Cap (ex Japan)	+ 32.7%	+ 4.3%

**GTI comment:** some of our readers have pointed out that our Developing China adviser has under-performed its benchmark for the past 3 years. Why don't we switch to a less value-oriented adviser and surf the Asian China wave? This is our cue to explain the GTI adviser philosophy. We dislike underperformance as much as the next guy. But we don't chase recent relative performance. We know that many people do.

Our research shows that chasing short term performance – an aspect of “market-timing” – is illusory. It feels good, and it fulfills a psychic need to “do something about it”. But it distracts us

from concentration on the thing that really matters: asset allocation.

This particular adviser has a value-style rigidly adhered to over 10 years. Investment styles shift like women's hem lines. The adviser is just as likely to produce massive out-performance when market conditions change (see its performance over 10 years, 3 of which have been damp squibs). If we have a criticism of this adviser, it is their rather splenetic tendency to under-estimate earnings increases. This often leads them to a defensive and concentrated portfolio structure. This then magnifies under-performance

when the more highly geared sectors – in which they often don't invest heavily – have their positive earnings – and share price – surprises.

All the modern and accredited research that we've seen on the value firms that sprang from Ben Graham's class at Columbia University (“The Value Investment School”) tends to show value managers outperform other managers over time. This is why GTI is unashamedly value oriented. The bad news is that they have nerve-jangling and prolonged periods of under-performance, often back to back over 3 or 4 years.

# Water Shortage / Ecology

*The bears skate on thin ice*

## News from our advisers

Our principal specialist water and ecology advisers wrote at the end of December:

During the month, in an unexpected departure from the Bush Administration's cautious stance towards climate change, Dirk Kempthorne, the Interior Secretary singled out global warming as a grave threat to the Arctic and the polar bear. The move is significant, as the addition of polar bears to its endangered species list would force the Administration to legislate against climate change. Earlier in the month, the Production Tax Credit ("PTC"), which subsidises the development of large scale renewable energy projects by 1.9 cents per kilowatt hour, was extended by an additional year to the end of 2008. A group of 42 senators submitted a petition to the White House to extend the PTC for renewable energy projects by five years, although the head of **Vesta's** investor and PR unit stated that oil and gas prices five to ten years from now are now the most important factor behind developments. This year wind power generating capacity in the US is expected to grow by a further 3000 megawatts.

In the water sector, the Environmental Protection Agency announced the second cycle of the Unregulated Contaminant Monitoring Rule, which requires 4000 public water systems to monitor drinking water for up to 25 unregulated chemicals, which may lead to further additions to the 90 contaminants regulated under existing US law. In Europe, the new Groundwater Directive was adopted by the European Parliament, which will require member states to monitor and assess groundwater quality and introduce measures to limit the input of pollutants into groundwater. The directive is closely linked to the Landfill Directive. Within waste, Gordon Brown's Pre-Budget Report confirmed that the landfill tax will increase by the standard rate of £3 per tonne to £24 per tonne, but that the UK government will consider steeper increases in the tax from 2008.

Stocks that contributed to the increase in the company's NAV during December included **Plant Healthcare** (biofertiliser, US), which rose 35% on progress towards commercial deals, and **Bioteq** (mining effluent treatment, Canada), which climbed 33% on new prospects and successful fundraising. In addition, **Spice Holdings** (utility support services, UK) gained 20% on new contract wins. On the downside, **Ballard Power** (fuel cells, Canada) retreated 20% following strong performance in early Q4.

This adviser's GBP performance numbers over the last 3 years are:

	Year-to-date (end 12/06)	Last 3 years
Adviser performance	+ 20.9%	+ 68.8%
MSCI World Index	+ 3.5%	+ 30.9%
Impax Environmental Technologies 50 Index	+ 18.8%	+ 53.8%

**GTI comment:** Blue Oak Capital visited the Ministry of Water Resources and wrote about it ("A Chat with the Water Ministry", 26<sup>th</sup> October, 2006). Blue Oak describes the various rivalries between the various agencies (like The State Environmental Protection Administration, or "SEPA").

"The long cycle of China economic growth is more likely to be brought to

an end by its water supply than its money supply ... Rapid industrialisation and urbanisation put it under massive strain (per capita use in urban areas is triple that in rural areas). ... China's water-pollution will get **exponentially** worse each year the current business cycle is maintained ... Earlier this year ... it was reported that of the 26 rivers in Shanxi, nearly 81% were rated Grade V

or worse – i.e., were toxic sludge. The more one understands about China's problem, the more one concludes that this is a major crisis in the making."

One thing is certain: China – the world's richest nation before long, if not already, adjusted for purchasing power – is going to pour increasingly valuable yuan into its water problem. Water isn't like oil. It has no viable

alternatives. A post-Maoist state knows that social unrest erupts when people have no clean water long before they rebel against – subsidized – higher petrol prices at the pumps. From a GTI perspective, the suppliers of water equipment face a bonanza in China. Our GTI advisers know this too well as they pick their stocks.



GLOBAL THEMATIC  
INVESTORS

## *Oh, and one last thing ...*

*We have a secretive hedge fund manager friend. We met him in the '80s in Tokyo, where we were both working. He was then a star Japanese analyst with a leading name. He knows the stock numbers in the Japan Companies Handbook like girlfriends' phone numbers and interviews companies in Japanese in his down-time. He's clocked up barn-storming trading returns over the years, most of them in Japan. He uses one year new price highs and chart breakouts as his basic methodology. We know the figures aren't forged; he's a client.*

*He phoned us the other day, barely able to suppress his excitement. Over the last 6 months, about 30 to 35 Japanese stocks have been making daily new highs. In the last few weeks, this number has been increasing to 60 a day. At the height of the recent up-move in 2005, this number was 300 or 400 a day. In other words, in technical terms, the Japanese stock market has a long way to go since the money is only now starting to arrive. We've increased Japan in GTI.*

# Global Thematic Investors

*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 25 years in private banking as a global strategist and 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 Managing Director of Butterfield Asset Management (Switzerland) Ltd, Bank of Butterfield's Swiss private banking arm.*

*Iain is also a Director and co founder of P&C Global Wealth Managers SA in Zurich and on the board of GTI Fund Investment, Cayman, managers of the P&C GTI Fund. He serves as a non-executive director of other specialist funds, including the Arisaig India Fund.*

[iain.little@pandc.ch](mailto:iain.little@pandc.ch)



## 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*

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