

## Rathbone Global Opportunities Fund

### Conference call update – 11 June 2008

#### Performance

This fund is top quartile or top decile across all significant time periods. Year to date the fund is down 1.5% versus a fall on the FTSE World Index of 6%. For reference, the FTSE 100 Index is down about 10% so far this year. Over three years the fund is up 84%, and over five years it is up 182%.

#### Investment style

This is a bottom-up, stockpicking fund that follows some strong themes. It invests in undiscovered growth companies. I avoid mainstream, household names. I do not buy recovery stories, restructuring stories or turnaround candidates. In general, I do not buy traumatised companies. I look for unblemished growth stories; a product or service that is different, something unique that is sustainable and can buck the trend. The fund is completely flexible by country, sector or size – a key strength.

#### The year so far

2008 has been a bit of a minefield. Some areas of the market have been decimated. Luckily, and sometimes skilfully, I have managed to avoid most of them and will continue to endeavour to do so. I do not own any US, UK or Asian banks. I do not own any property vehicles, housebuilders, insurance companies, pharmaceutical companies or any mainstream retailers. I believe all of these areas of the market qualify as turnaround/recovery plays, which is not a theme that I chase in this portfolio. However, let's be positive and talk about some of the themes, the trends and the stocks that really are working. Many of these companies are delivering record results in the midst of an economic downturn.

#### Themes

##### Agriculture

This is a play on rising soft commodity prices. I ask myself what is the solution to high agricultural prices? Well, the solution is two-fold. It is to improve productivity and to increase yield. In order for farmers to improve productivity, they need new, more efficient farming equipment, so I own farming equipment companies in the fund. The other way of reducing agricultural prices is to improve yields. This is done by using fertiliser and genetically modified crops. Fertiliser improves the average yield of a field by 30-50%. Some 42% of the land that is used to grow rice is not being optimally fertilised, so this is a way of improving food production and reducing food prices. Unfortunately, until the nutrients are used correctly, food prices will stay high. This theme represents around 12% of the fund.

##### Oil and gas

Another theme that is working in this environment is oil and gas. There are two cures for high oil prices. The first is demand destruction, and the second is increased supply. We are seeing some evidence of demand destruction now. Drivers are not buying premium high octane petrol; nor are they buying SUVs and light trucks, and they are driving less. The growth rate of vehicle miles travelled in the US is normally between 1-3% per annum; today that figure is in negative territory. The other side of the equation is increased supply. In order to increase this supply, we need additional capital spending by the oil companies. This spending is booming at the moment to bring new fields on-stream and to enhance existing fields. This is all about energy infrastructure; the fund holds a company that manufactures oil pipes; a company that injects liquefied carbon dioxide into old oil fields to force out oil that was previously too difficult to recover; and several investments in companies that design and build off-shore and on-shore oil

facilities. This is the growth area within the oil and gas space; it also provides me with a bit of a safety net. If commodity prices fall across the board in the midst of an economic downturn, most of these projects that are brought on-stream are predicated on much lower oil and gas prices in order to be economical. This theme, in its entirety, represents 24% of the portfolio.

### Fund facts

The following are the fund allocations by geography and market cap, although I must point out that these structures are as a result of the stockpicking and thematic view. On geographic positioning, Asia-Pacific represents 13% of the fund; the US 20%; Canada 7%; Continental Europe 24%; and the UK 17%. It is of course important to note that virtually none of my UK investments has anything to do with the UK economy - they just happen to be listed in the UK. I do not have any companies that are listed in emerging markets - that is an expertise that you can go elsewhere for. I am focusing on developed markets. Very often these companies have exposure to emerging markets, but none are actually listed there.

In terms of market cap, 15% of the portfolio is in small caps; 37% in mid caps; and 29% in large caps. Add all that together, and the average size of a company within this portfolio is \$1.9 billion. I have 46 holdings. One area of controversy right now is the very high cash weighting, which is around 19%. The rationale for this is that I think like you do: if I can't find a good idea, I won't invest - it's as simple as that. I do expect to put that cash to work over time, but I am going to wait until the best ideas emerge.

### Risk

The warning label of this fund is always the same. It can be volatile because of the small and mid cap exposure, and there will be periods when it underperforms. However, on a three-year plus view, I should deliver excellent returns. Historically, this performance has been double that of the benchmark

### Summary

The fund is growing, and cash is flowing in every day. It is about £75 million in size with a diversified list of underlying unit-holders. No single unit-holder represents more than around 5% to 6% of the fund. The fund is flexible, nimble and diversified. It is playing some of the most powerful global growth themes. It is the only fund I run and represents the majority of my personal wealth - this is a fund designed around my strengths as a fund manager.

I am confident about the future. It is a minefield out there, but some of these investments are really delivering, so I am pleased with where the fund is positioned.

### James Thomson

#### Investment Manager

Discrete year performance to end March	2003	2004	2005	2006	2007
Rathbone Global Opportunities Fund	+40.63%	+21.91%	+46.01%	+5.70%	+6.31%
Mstar IMA Global Growth	+27.32%	+8.93%	+31.92%	+3.02%	-3.25%

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance.

**Data Source, bid to bid, net income reinvested - © 2008 Morningstar, Inc. All Rights Reserved. The information contained in this note is for use by investment advisers and journalists only and must not be circulated to private clients or to the general public.**

Rathbone Unit Trust Management Limited is authorised and regulated by the Financial Services Authority and a member of the IMA. A member of the Rathbone Group. Registered office: 159 New Bond Street, London W1S 2UD. Registered in England No. 2376568.