GLOBAL THEMATIC INVESTORS

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

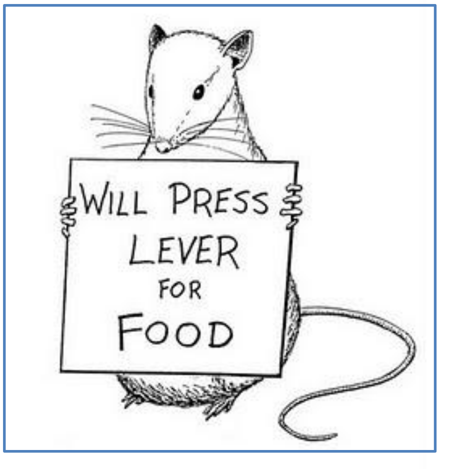
CONTENTS

CROSSOVER TO A NEW LANGUAGE – ARE EMERGING MARKETS FINISHED?

Our world is changing..what does that mean for us as investors and for our language?

Language is important in the real world because it reflects our own psychology. Even more important, much of our behaviour as human beings and as investors depends on the language we use. Anyone who has spent time in the markets knows that psychology changes—often quickly and dramatically. As the markets move, new concepts are formulated, words are invented, and even new jargon is coined.

Academic psychologists –Chomsky and Skinner spring to mind- maintain that the links between language and behaviour (read "human actions") run deep, whether they are behavioural (Skinner, famous for his rats) or cognitive (Chomsky, well known for his work on language acquisition and linguistics).



CG Jung believed in a symbolic language that was particularly contained in dreams. He believed that symbols such as archetypes guide our actions.

Novelists know this as well as anybody. Cynical political language enables human action to be corrupted in dystopian novels like "1984" and "Brave New World" The "Ministry of Love" really prosecuted dissidents, and the "Ministry of Peace" was a War machine. Language empowers, and this power can be abused. 20th century political figures, and their speechwriters –Hitler, Stalin, Mao- made this point even more forcibly, using language that is now as obsolete as it is absurd.

Great Leaps Forward –a world that is round, a DNA double helix, relativity, contraception, a moon landing, the Beatles- have all introduced new concepts as well as new understanding into human life. To extend Jung's thinking, language has much more than a purely symbolic importance. It *influences our actions* directly by creating a new framework with which we can think and talk about ourselves and participate in the world in which we live.

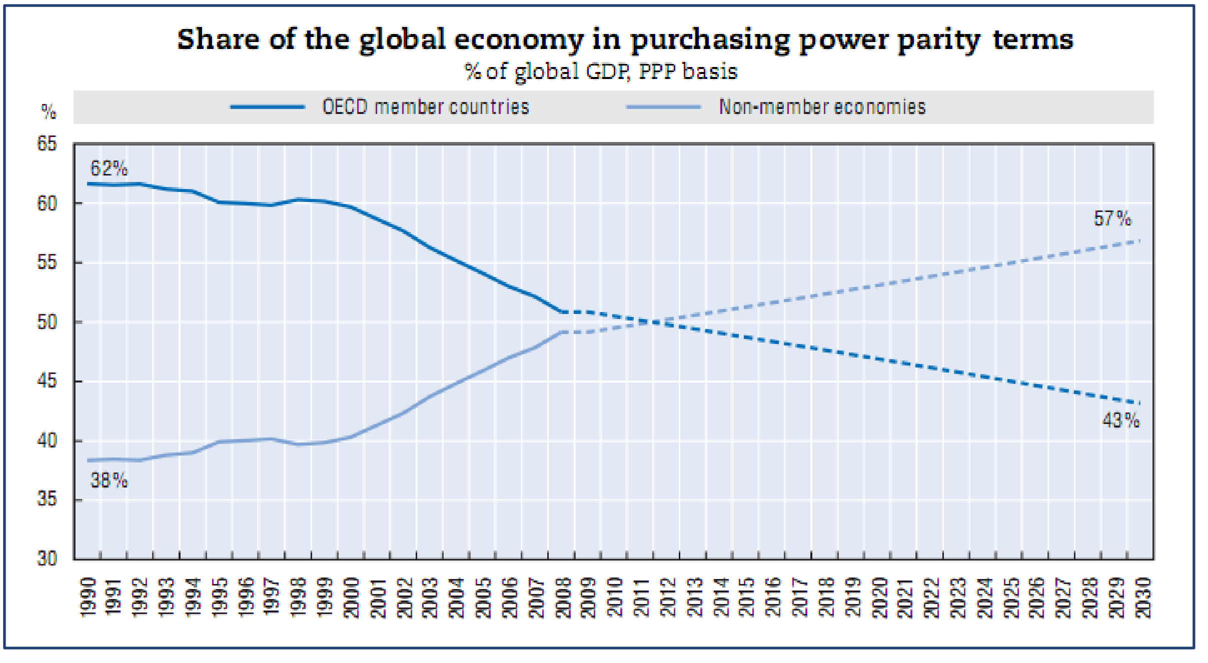
The Great Crossover

Amazingly, the single most important economic and political event in our generation, maybe for any generation in history, has not yet changed investment habits or our language itself. And if you had to summarise what GTI is about, it is about this event. So we care deeply about it.

We call it "The Great Crossover"—the fact that China and the West are changing places – consumption and growth are growing in China, and declining in the mature economies.

Here it is, in a chart as simple and direct as Crick and Watson's double helix or a photo of Neil Armstrong on the moon.

China Crossing Over



Source : RiverFront Investment Group

It's surprising that some refute this evidence. Apologists for the Old World argue correctly that this is Purchasing Power Parity data and the newcomers are still a fraction of the size of the OECD countries. But this view neglects the New World's "informal economy" adjustment and anyway misses the point: one line is going up, because it's growing, and the other is headed down because it's mature.

The next time you switch on the TV or pick up a copy of newspaper, even if it's online, make a mental check of how the arguments and the debate is framed. It is usually as if the Great Crossover has not occurred.

The perspective and language – most shockingly sometimes the very "experts" who pronounce on China or India or Indonesia-speak of the "emerging markets" as faraway places whose impoverished and disadvantaged citizens work hard in slave labour conditions to prove themselves worthy members of our Westerners' club. By turns patronising and pitying, these commentators paint a picture of the impossibility of competing with or imitating our own solid and impregnable corporations.

Poet Colonial Angst

To a boy brought up in late ‘50s /early ‘60s Britain like myself, this this media language reminds me of the post-Colonial linguistic “framing” of my school years. It conjures up a picture of an honest African, travailing in the sisal fields, to earn his membership of the British Commonwealth. The verse of John Betjeman, anointed British poet laureate in 1972, dripping with delicious irony, rings in my ears as *“Lines Written In Westminster Abbey”:*

“Keep our Empire undismembered
Guide our Forces by Thy Hand,
Gallant blacks from far Jamaica,
Honduras and Togoland;
Protect them Lord in all their fights,
And, even more, protect the whites.
Think of what our Nation stands for,
Books from Boots' and country lanes,
Free speech, free passes, class distinction,
Democracy and proper drains.
Lord, put beneath Thy special care
One-eighty-nine Cadogan Square.”

Language which now -to the modern ear- sounds patronising and ridiculous.

The balance has shifted now—the fact is that we are no longer the masters. Or at least *they* are the creditors, and *we* the debtors. They hare along at 10% and we tortoise along at 2%. Worse, the Great Crossover is massively flattering to us in the West. If, as we estimate, more than 50% of their economies are “informal” (under-the-mattress hoarding, low tax takes, obsolete bartering systems, vast black economies), the numbers collected by the IMF are way too low.

They probably overtook us 10 years ago, while we were celebrating the wonders of our technology revolution.

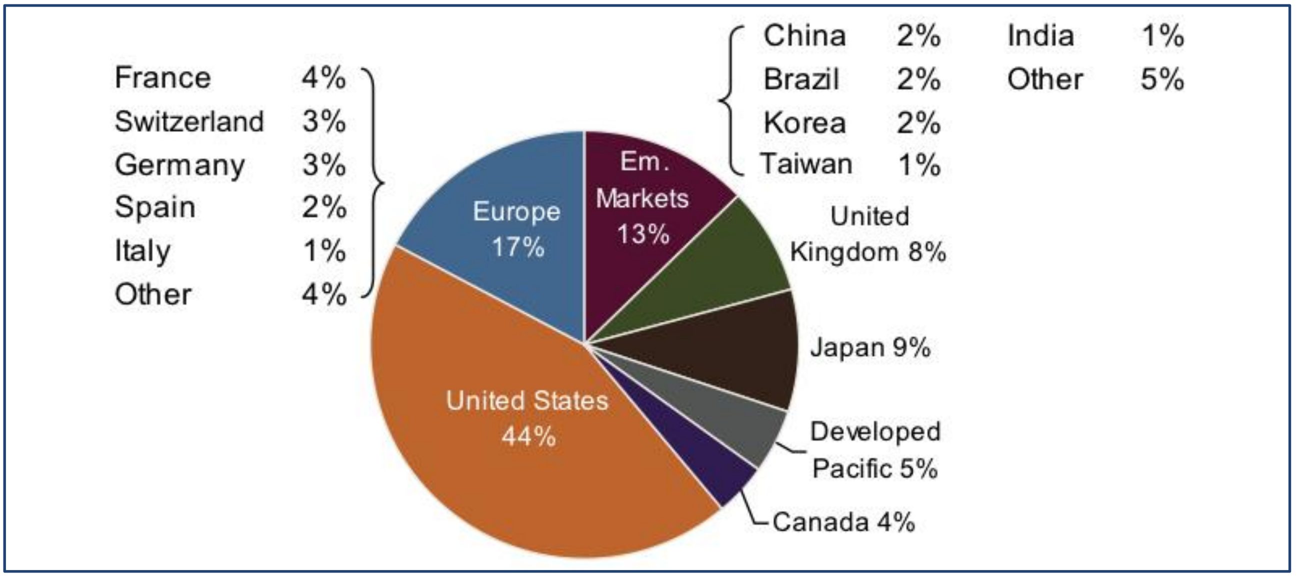
Who are they? We call them emerging markets, but they’ve literally “crossed over “ –now they are growth markets.

Asset Allocation After The Great Crossover

The media is mired in the ancient orthodoxies and the old ways of looking at things, the investment community itself is tongue-tied by an asset allocation orthodoxy and financial language that also misses the point.

Nearly all the major Swiss banks send us their asset allocation research. There is usually a lonely little item there, under “Equities”, called “Emerging Markets”. It is presumed that, whilst Europe and North America and Japan, because of their far greater sophistication, are wildly dissimilar and merit individual sections, China and Chile and Chad are one and the same. Barely a bank apportions more than 20% of equities to this section. Most swing between 5% and 10%. It should be 50%.

“Emerging Markets” are 13% of World Markets



Source : JP Morgan AM research

Ask pension fund consultants, who as peerless experts at analysing stale data are able to act as tour guides to the world’s savings, and the language is much the same. Doctors in statistics preach about the greater volatility of “emerging markets” (I never met an investor who didn’t seek upwards volatility, did you?), poor corporate governance (none of them having invested in Enron or Madoff funds, presumably) and market illiquidity (try selling the far larger asset allocation approved for hedge funds in 2008).

I exclude from this rant the brilliant David Swenson of Yale, who long ago changed the language of endowment investing by pointing out that “liquidity follows price” and that investors can perceive lack of liquidity as a positive sign.

Growth, we say, not Emergence

What are the practical steps that we can take to rid us of these prejudices? We believe there are 7.

- Filter. The next time the CEO of Unilever or Diageo boasts about their growth or the jobs they have created, look carefully to see how much of this is actually in the West. Sales are probably 10-20% higher in GTI-land than in Gin-and-Tonic land.

- Relativise. The next time a gloomy economist tells you that the West has a problem with debt, employment, education standards, growth etc, seek a mirror image or the equivalent in China or India or Chile.

- Visit. It's fun. Go and spy on our friend (remember him from last quarter's letter?). You will find him today managing the Serena Beach Hotel in Mombasa, owning Rawa Island off Eastern Malaysia –a great place to swim with turtles- or driving you in the frenzied traffic of Mumbai. Get to know him. Tomorrow, he may be buying your house.

- Trust. Trust the countries that have growth to do just fine without the misguided help of ageing rock stars like Bob Geldof or Bono.

- Stop. Stop using the language of old. GTI hereby vows never to use the term "emerging markets" again. They emerged. From now on, we'll talk about "growth" markets.

- Invest. Not 5% of equities.....50%.

In a world where growth is so hard to come by, particularly in the uncompetitive and decadent West, it is churlish to patronise those very places where growth is so easily found.

These are the GTI places where the language changed years ago while most of us in the West were asleep.

Global Thematic Investors

Where's The Growth?

Remember our War Cry since the dark days of late 2008?

All else being equal...following "significant" monetary stimulation, economies take 11 to 16 months to start to recover.

Stock markets anticipate this economic recovery by 6 to 9 months.

The problem is the "lead and lag" effect. If October 2008 were the start of the "significant" monetary stimulus (no one disputes this we think), then Month 16 is January 2010 and 6 months before this is July 2009. On the other hand, if you use Month 11 (September 2009) and a 9 month stock market lead, the stock market should have bottomed in January 2009. So you have a window of January to July 2009, with March / April 2009 the mid-point.

And "all else being equal" this time round includes the collapse of the global banking system.

The average rally one year after the bottom of an S&P500 bear market bottom is 42%. On average, subsequent bull trends wipe out about three quarters of bear market losses within one year.

Well, since we are now in the volatile, second stage of a recovery where "growth" becomes the obsession of the markets, and since so few of the economists that appear on CNBC warned us of the coming Global Credit Crunch, we thought we'd do some modest economic work of our own.

We looked around for some grown up tools to help us. We started with a choo-choo train.

Chattanooga Choo-Choo

Warren Buffett said that if there was one economic variable he would take to a desert island with him to follow the business world, it would be railcar loadings. Railroad traffic data are frequently posted (much weekly), very detailed and hard to fiddle with (unlike unemployment, inflation, even GDP data). But above all, railroad data tell us what's really going on in an economy. When goods move, they move for one reason alone: economic activity is taking place.

In GTI, we're interested in global economic activity. The best measures of this are port and shipping activity (though railcar data is also useful as "track" handles the onshore portion).

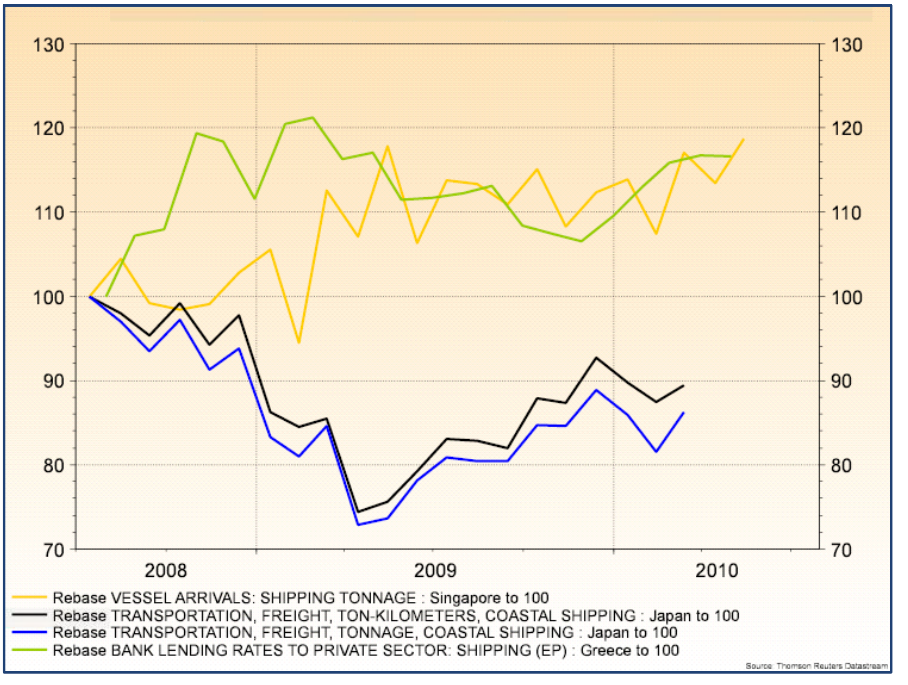
And when we see that we've got a transport boom going on, we sit up and take notice, because this is not what the NY Times, FT, CNN and CNBC are telling us. And it matters because it directly relates to our GTI companies.

Full Ship Ahoy

We now have access to literally hundreds of shipping and port charts. Back-data is vastly detailed. They are all set up by my partner Bruce as templates inside our Thomson Reuters screens. But here's just a few, all re-based to a scale of 100, to show the effect of the 2008-2009 Global Credit Crisis, the 2009 recession, and then the late 2009 - 2010 economic recovery.

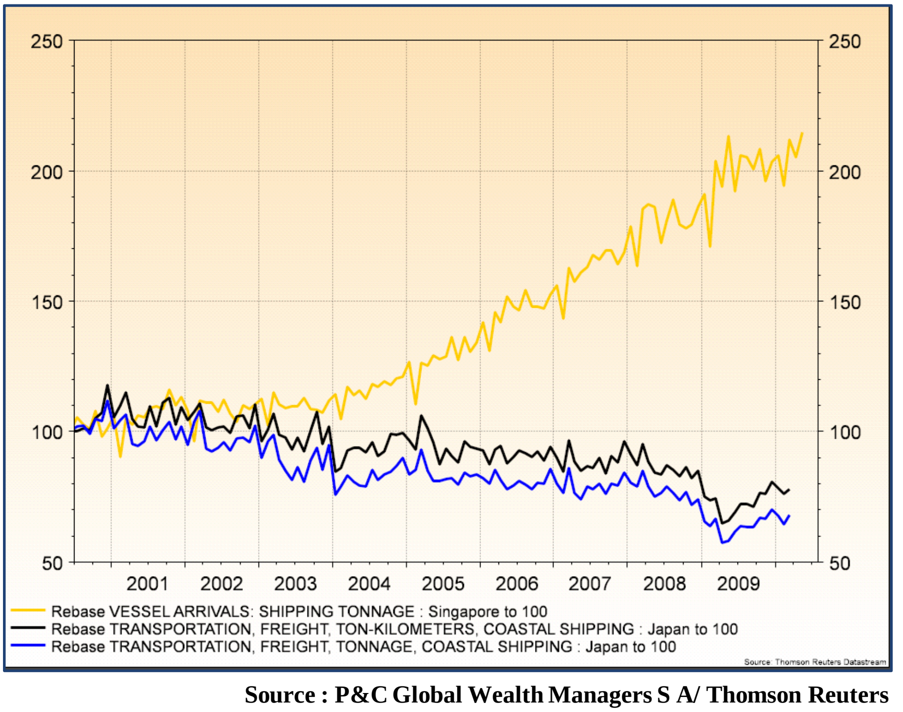
First, let's look at Global Shipping over the last 3 years. We took vessel arrivals in Singapore (major port for SE Asia), coastal shipping in Japan (major ports for China, Taiwan, Korea etc), and –a favourite of my partner Bruce's- some private sector ship lending data from Greece, a global shipping hot spot:

Global Shipping (Singapore and Tokyo)



Source : P&C Global Wealth Managers S A/ Thomson Reuters

Global Shipping (Singapore and Tokyo)

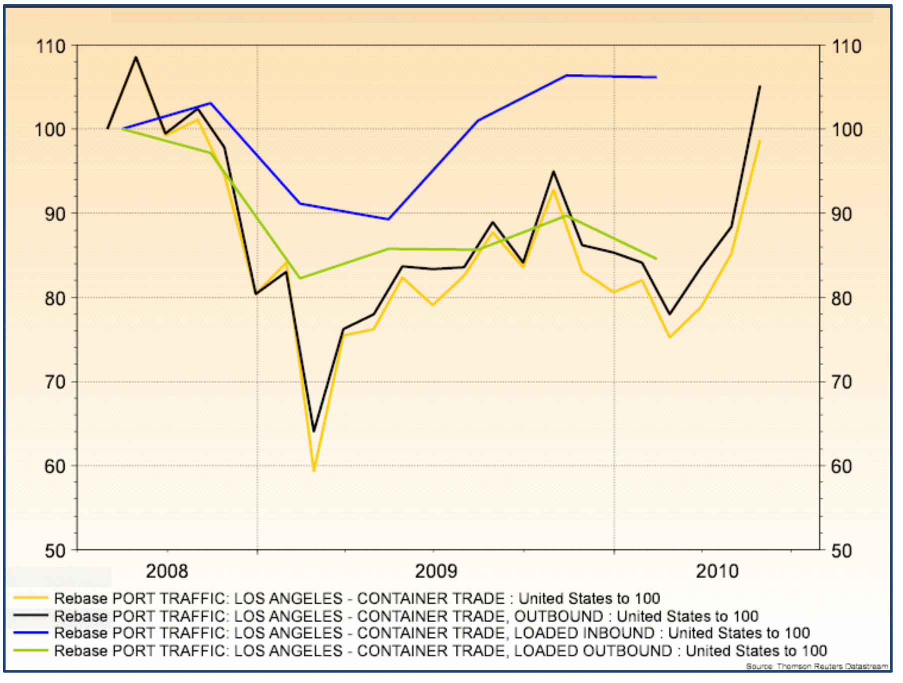


Source : P&C Global Wealth Managers S A/ Thomson Reuters

Pretty clear, isn't it? A collapse in 2008 through to mid 2009, followed by recovery in mid to late 2009 and a continuation of the uptrend in 2010, after a wobble in early 2010, with some of the data series now above 2008 pre-recessionary levels (I repeat that in case you missed it: "***above*** 2008 pre-recessionary levels")

Now here's a longer term 10 year chart showing Singapore vessel arrivals.....no 2008-2009 hiccoughs here and a clear trend upwards:

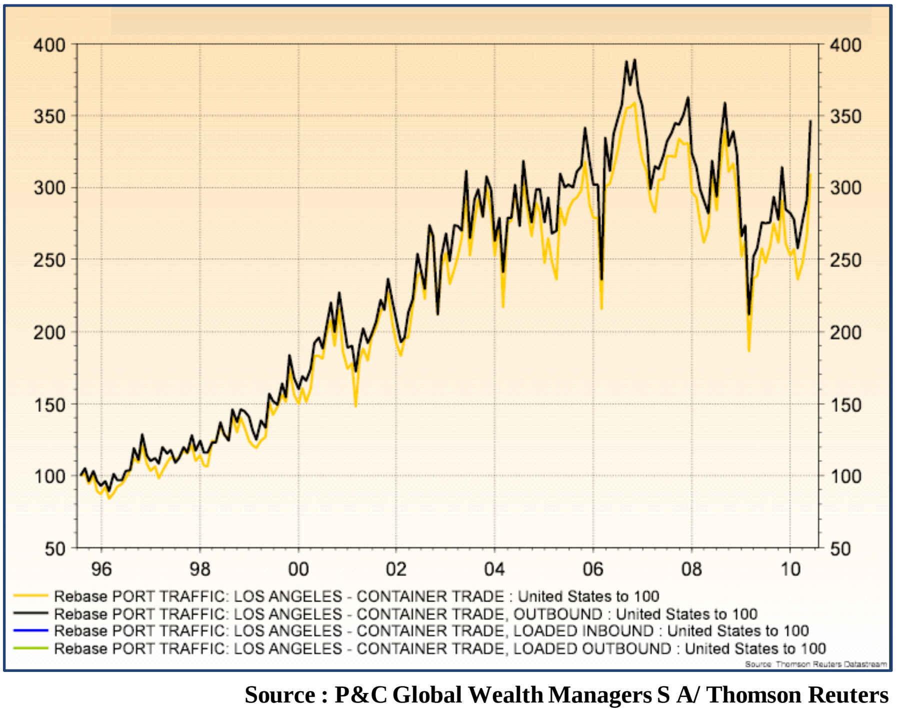
USA Port Traffic ST



Source : P&C Global Wealth Managers S A/ Thomson Reuters

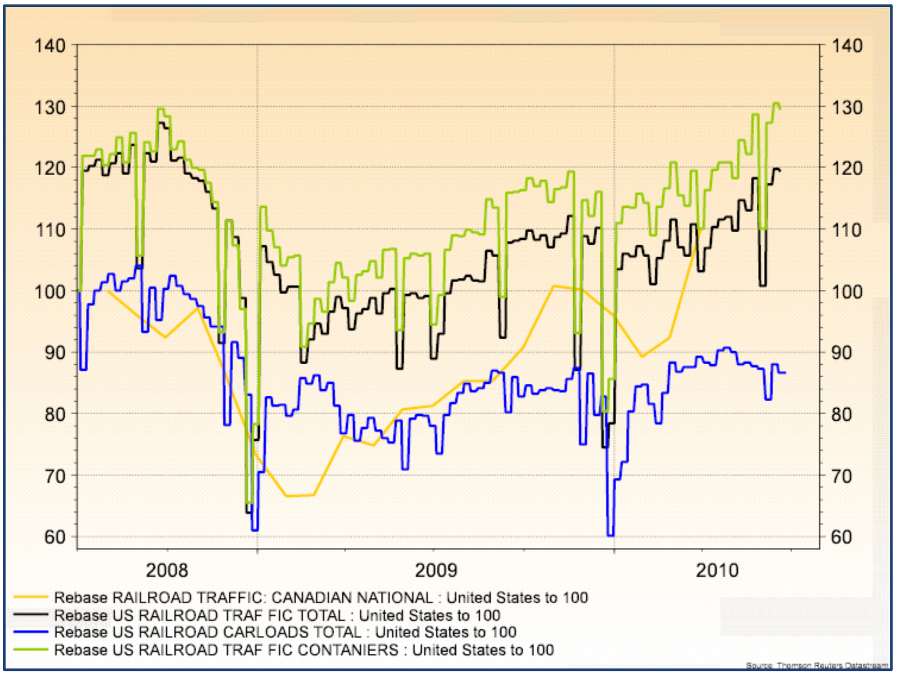
And what about the USA, the world's largest economy? We took LA outbound and inbound container traffic as a good proxy

USA Port Traffic LT



Source : P&C Global Wealth Managers S A/ Thomson Reuters

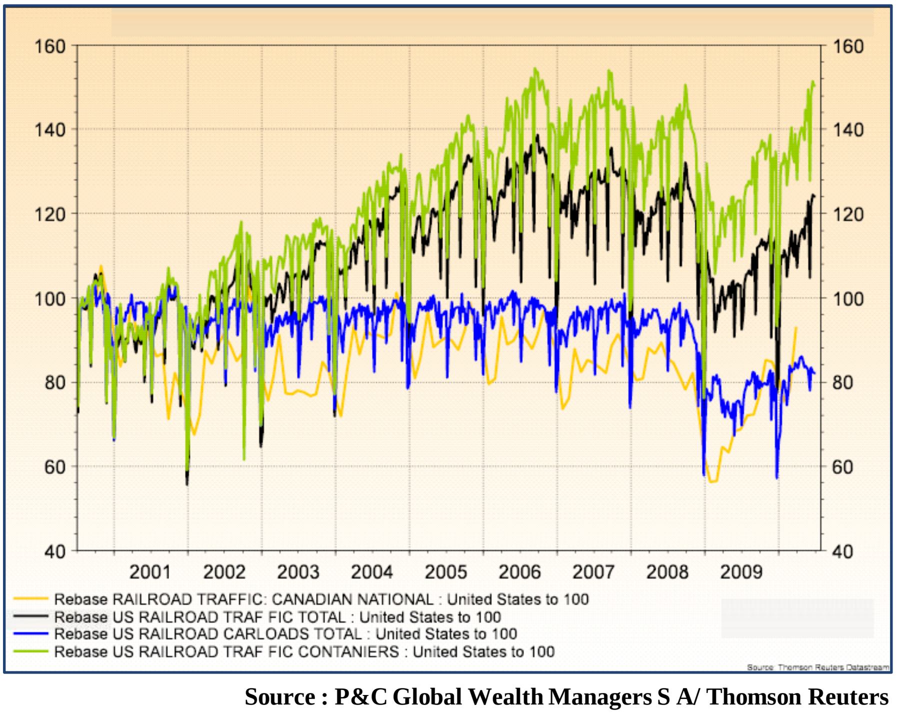
USA Railway Loading ST



Source : P&C Global Wealth Managers S A/ Thomson Reuters

Finally, in homage to the great man, let's look at Warren Buffett's railcar data, which tells a similar story.

USA Railway Loading LT

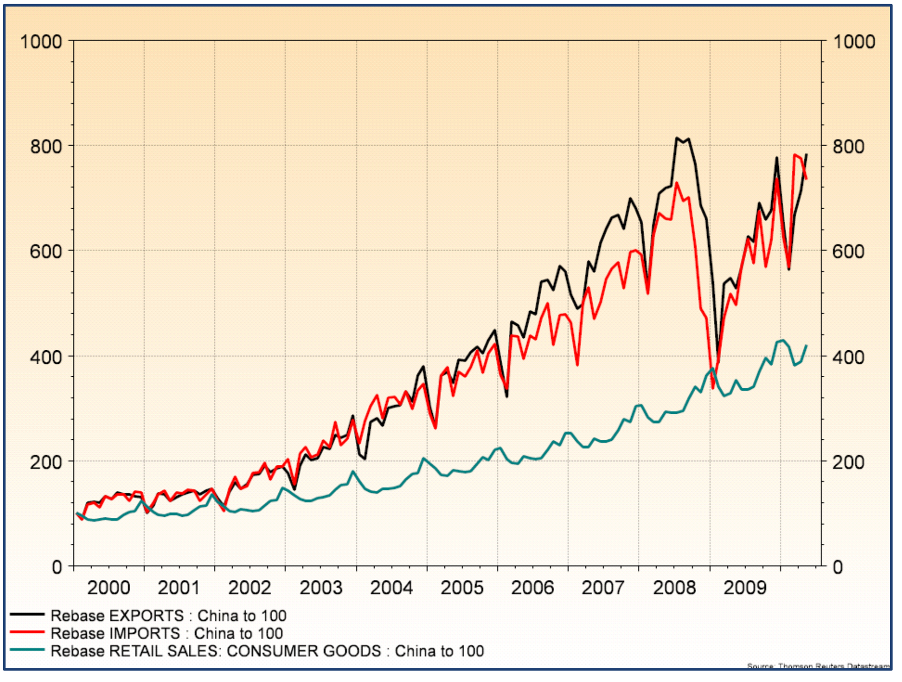


Source : P&C Global Wealth Managers S A/ Thomson Reuters

GTI and the Brave New World

"OK, Little, you've made your point. But what does this mean for our GTI stocks?"

China



Source : P&C Global Wealth Managers S A/ Thomson Reuters

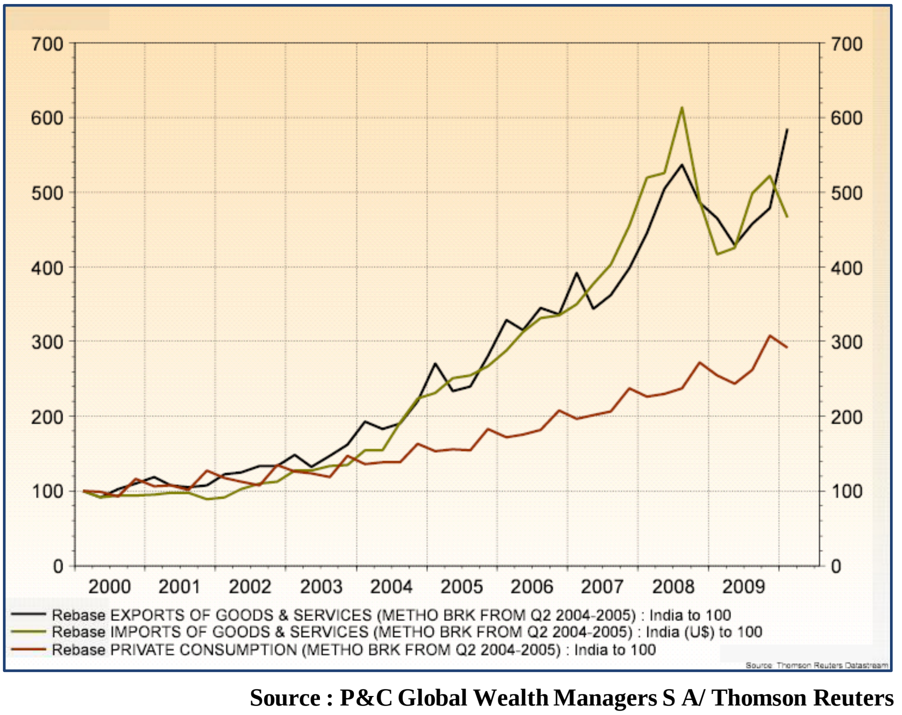
Well, we think these shipping charts tell an important story. And we- and our children- neglect it at our peril.

Much of the tired, over-indebted and bureaucratic Old World in which we live is -sorry, I can't find a better word for it- *finished*. Asia and the tigerish "growth" world is where we must invest. This doesn't mean we should sell Old World GTI stocks like Unilever who have more than 50% of their business in the growth parts of the world, but it does mean we should sell the relics of the past and change the cavalry from horses to tanks.

Mr Obama and his Spin Doctors are right to worry about jobs. But there ***is*** a jobs recovery going on. The trouble is.....it's not going on here. It's going on in Asia.

Finally, look at the two charts on the left:

India



Source : P&C Global Wealth Managers S A/ Thomson Reuters

Their stock markets acknowledged this at the time, but China and India experienced a huge contraction in external trade at the time of the Global Credit Crisis. Such a volatile collapse and recovery must have reflected the destruction of domestic consumption, right? Wrong.

In fact, China's retail industry – and its leadership like GTI stocks Wumart and Lianhua- sailed through the crisis without batting an eyelid and without even departing from its regular seasonal variations. This chart –I suggest- explains much of the volatile and non-consensual shipping data we looked at earlier, as well as the recovery.

The rest of the world may have put projects and buying activity on hold through The 2008/9 Crisis, but for the Chinese and Indian consumer, it was business as usual.

"OK, Little, but I keep reading about a coming collapse in China as the Chinese authorities move to cool the property market? Didn't the forward looking Purchasing Managers Index take a tumble?"

China PMI

Source : P&C Global Wealth Managers S A/ Thomson Reuters

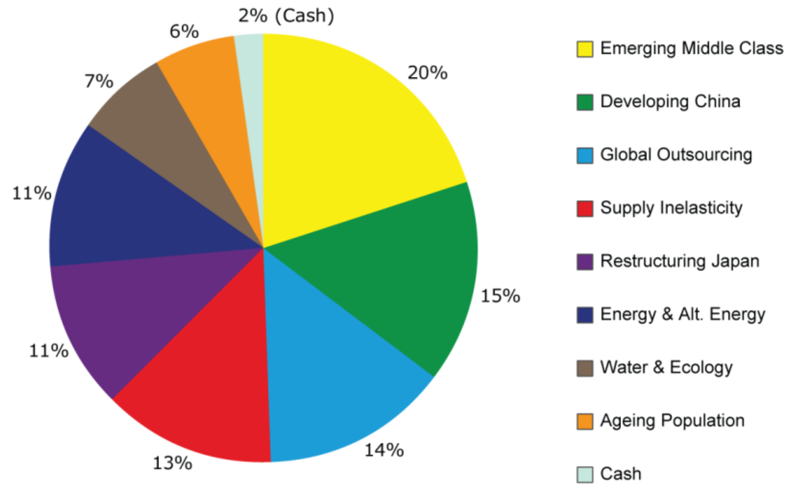
Such a slump is unlikely. Official policy in China has been to slow things down to avoid inflation. Present levels of around 50 on the Chinese PMI are still consistent with a growth rate of about 25% pa in industrial production....a rate that most Western politicians would –shock, horror- even tell lies about to announce to the voting public.

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, +11.3% in EUR in 2010 to end June. They also report the down year in 2008, though our memories for some reason are dim on this point. Our end June asset allocation for GTI is:

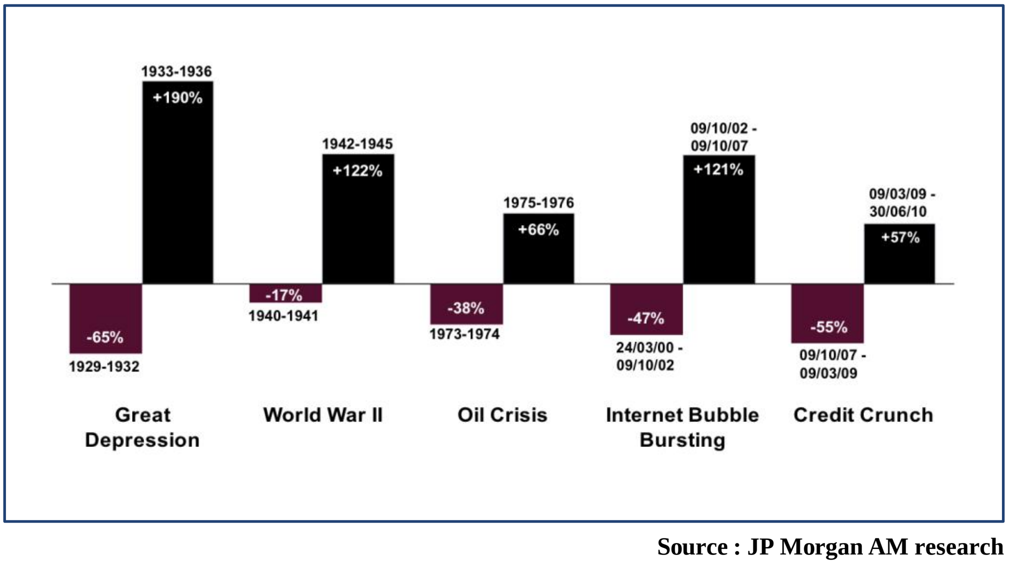
Asset Allocation by Global Theme

Emerging Middle Class	20%
Developing China	15%
Global Outsourcing	14%
Supply Inelasticity	13%
Restructuring of Japan	11%
Energy & Alt. Energy	11%
Water & Ecology	7%
Ageing Population	6%
Cash	2%



We have continued to add to our stock positions and reduced funds accordingly. We are near-maxing out in our ***"Emerging Middle Class"*** theme. Our view remains that we are in the highly volatile second stage of a multi-year bull market in equities. Fortunately, JP Morgan remind us that there is a lot to go for after consecutive down years of equity bear markets.

Expect More From The Equity Bull



Source : JP Morgan AM research

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.

From GTI's NEW STOCKS THIS QUARTER

Diageo plc

What's the single most important quality of the ideal company?

Cash generation must be the ultimate test. With strong cash flow, any business venture can survive and prosper and shareholders get to claim whatever is left over in the form of growing dividends. Without cash, a company is subject to the slings and arrows of outrageous fortune.

Readers of GTI will know how much we like strong consumer businesses with strong cash flow. Strong consumer businesses may not bring you the potentially stratospheric returns of a risky junior gold mine, but they will, over time, preserve and grow your wealth better than any other stock investment because of their awesome cash flow generation. And we're lucky today. The credit crisis of 2008 has made many of them bargains.

Our "***Emerging Middle Class"*** theme stock Diageo, a USD 40bn market cap stock, pumps out cash like a publican's tap pumps out ale. Diageo is the world's leading premium drinks franchise and a top-twenty UK quoted company.

Diageo's cash flow is so strong that it has bought back USD 12bn worth of its shares over the last 10 years (always helpful to a share price) and is one of 6 companies in the UK markets to have accounted for more than 50% of all market buy-backs. Though strong *cash flow* is the principal reason that we've been buying Diageo over the last few weeks, we must admit that we also love its *beer flow*.

Diageo's brands are a roster of world leaders. Leading brands are hard to dislodge. They range from Guinness stout (the world's leading stout) to Smirnoff vodka (the world's leading premium spirit by cases sold) to Johnnie Walker whisky (the world's leading premium spirit by value) to Baileys (the world's leading liqueur) to Tanqueray (the leading imported gin in the USA) to José Cuervo (the world's leading tequila). Its runners-up are not exactly slouches either: Captain Morgan rum (no 2 rum in the world) and J&B (no 4 whisky in the world).

Why does Diageo generate so much cash? This boils down to one word: *franchise*. A global franchise where a developed manufacturing base can produce and sell premium products using an established distribution system.

Leadership in its core products comes from the fact that Diageo is the euphonious amalgam of 2 very well known brand-leaders: Guinness and Grand Metropolitan.

Since its creation in 1997, Diageo has sold off all its non-core businesses –Burger King in 2002 and Pillsbury in 2000- to concentrate on its drinks activities.

Buy You A Drink?

Even in a credit crisis, people still like a drink. Maybe more than ever.

Diageo's head of Europe spoke recently at a conference and said that he had noticed that buying behaviour may have changed in this recession. People had become more "choosy" in terms of which Diageo brand they selected, trading down perhaps, but they were still buying the brands themselves. In 2009, sales actually fell in Europe (by about 5%) and in Asia Pacific (by 4%), but they surged in Africa and Latin America (classic GTI parts of the world) by over 7%.

Yet even in crisis-torn 2009 Diageo made money, quite a lot of it in fact. Net profits still rose by over 4%, continuing Diageo's tradition of steady annual increases, maintaining Diageo's fabulously high near-40% Return on Equity. And operating cash flow surged by +15% as Diageo cut costs and created greater efficiencies, as only a global and ruthlessly well-managed business can.

Now Diageo is ready for the profits up-turn as its customers return to their old, higher-margin ways and trade up to the premium end of its product range.

We know directly from GTI's advisers in East Africa that Diageo is making a ton of money in Kenya and its surrounding countries, even Sudan! We hold East African Breweries –its 51% subsidiary- through 2 of our Sub-Saharan African advisers. Profits will explode as the "informal" economies become "formal" in the years ahead.

Diageo is that rare thing: a top quality, cash generating global franchise with a stranglehold on the fastest growing markets in the world –Africa, Asia, Latin America- whence it generates about a third of its profits. Make that 50% within a few years.

Q3 Sales Growth tops Forecasts

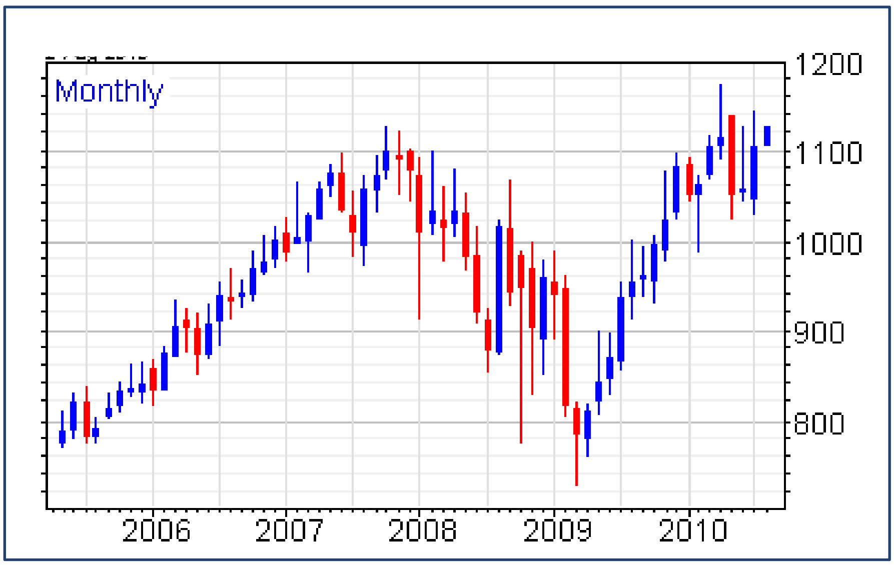
Recent Q3 numbers published in May were well towards the top end of expectations and confirm GTI's non-consensual view –see above- that the global economy is in better shape than either the equity or bond markets are currently discounting.

Group organic sales were up +12% (exceeding the top end of expectations of +5-10%) despite a "fragile" developed market recovery but owed much to emerging markets sales growth of more than +20%!

The current 3.4% dividend yield – higher than a UK government 10 year yield of 3.3%- is set to rise strongly in the years ahead and we think Diageo will better last year's profits by +14% in 2011 to GBP 2.0bn, so earnings per share of 82 pence put it on a forward PER of 13.5x.

Any weakness in Diageo is a buying opportunity. Over time, GTI will make far more money in Diageo's Kenyan subsidiary, GW growth holding East African Breweries, but the Mother Ship offers a pretty exciting Booze-Cruise too.

DIAGEO Plc (DGO:LN)



Source : Fullermoney

Jollibee Foods: Getting A Buzz Out Of The Bee

A large multi-coloured bee sporting a blazer, shorts and a chef's hat hardly sounds like a sensible basis for a knockout global business. But it is.

I'd like to tell you about that bee, since it's the mascot for a new GTI's "***Emerging Middle Class***" theme stock, Jollibee Foods. Jollibee is the dominant branded restaurant chain in the Philippines, and every child in that country loves that bee. But the story doesn't end there. Jollibee could emerge as that rare and precious thing: a pan-Asian giant.

Jollibee F Corp (JPFCF:US)

Source : Fullermoney

If you've been to the Philippines, you know that a smile is a permanent feature of the landscape. And no wonder. The Philippines is a beautiful and captivating country with a rich and hybrid culture, part Asian, part Western, with a "joie de vivre" not found in some of the more austere northern Asian countries. In many ways, it's the perfect counterpoint to Switzerland, where I live.

As an economy, the Philippines has vigorous demographics: the 12th most populous country in the world, with 92 mn inhabitants, median age 23 years and a GDP per cap of USD 3,500, that of a low to -middle income country. Even for a restaurant chain with a 56% market share of the branded restaurant market, there's still plenty of room to grow amidst a culture where "fun", sociability and good value is highly prized by the country's Emerging Middle Class.

Among JFC's popular restaurant brands are Jollibee, which sells hamburgers and fried chicken (55% of sales), Chow King, which sells Chinese food (18% of sales), Greenwich Pizza (6%) and Red Ribbon, a bakery, with 5% of sales. There is also a China brand, Yonghe King, as Jollibee has launched a China strategy, with Chinese food. The China business is already 10% of sales and just reaching critical mass.

Jollibee has 1880 outlets and 2009 sales of over USD1bn. There are 1560 domestic outlets and China is 2nd largest market, with 200 outlets. Jollibee is valued today at USD 1.5bn.

Jollibee's story is an unusual one: the Jollibee egg was hatched by a management consultant. It sprang from an ice cream parlour run in the 1970s by a Chinese Filipino, Tony Tan (Tan and his family and top management still own 80% of Jollibee). In 1978, Tan and his brothers and sisters hired a management consultant, Manuel Lumba, to help them out. Tan felt the business model needed a shot in the arm. Lumba shifted the business from ice cream to fish balls and thence to fast food, after his studies showed that a much larger market was waiting to be served. This is one case where consulting fees were well spent. Lumba became Tan's business and management mentor and changed the name of the company to Jollibee.

Lumba put together a marketing strategy with some innovative promotions and customer building schemes. Hence, the bee. Meanwhile Tan and his close family set about developing Jolibee's internal strengths. The stores were re-designed and the service transformed into an American-style self-service, fast-food operation, complete with drive-throughs. Tan and Lumba went on a research tour of the USA, and hung around every food service and equipment convention they could find. Then Tan tweaked Jollibee's business model further and added a franchising operation; Lumba was put in charge.

Jollibee now operates according to a "Smart Niching" strategy, a strategy that rivals McDonalds and KFC simply cannot employ due to their size and structure. Now that it dominates (56% share) the quick service restaurant sector in the 92mn head Philippines market, Jollibee is moving into the coffee and gelato sector via a joint venture with Korean coffee shop business (280 stores in 5 years), Caffe Ti-Amo. Caffe Ti-Amo is opening 8 more stores (now only 2) in Metro Manila. All ingredients are sourced from Italy.

As McDonalds and others like it prove, franchising is an effective way to grow a simple fast food operation as it has very low cash-intensity for the mother company and can be duplicated by newcomers –creating organic growth- according to a clear and repeatable set of business principles and practices. Today, the owned/ franchised split is 50/50 domestically but almost all international outlets are operated by Jollibee. International franchising is yet to come.

Today, the business culture of Jollibee remains a mix of systematic expansion and a pragmatic focus on profits: Coke is sold in all their Philippines restaurants and Pepsi overseas.

Busy-ness Bees

In the early days, Jollibee grew its business by acquisition. Its purchase of Greenwich Pizza in the '90s got it into the pizza-pasta segment.

In 2000, Jollibee bought Chowking, which gave it the Asian quick service restaurant segment, and in 2007, Jollibee added the Chinese fast-food chain Hongzhuangyuan.

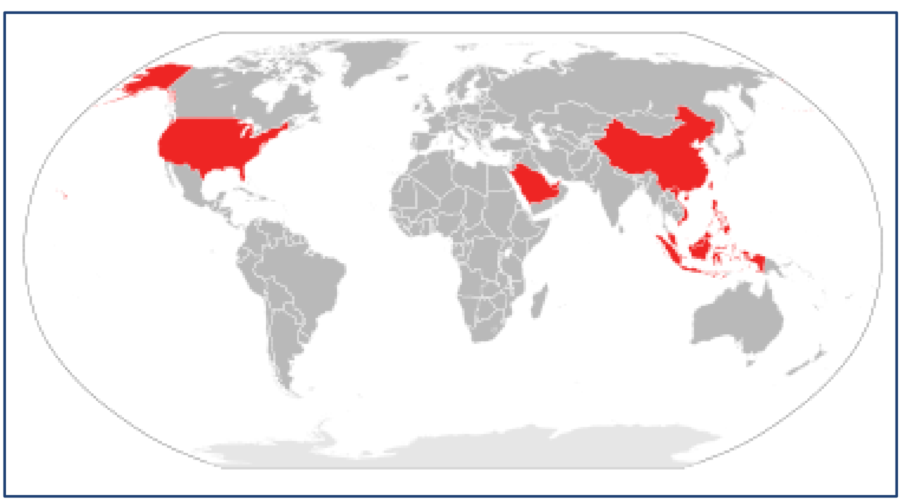
Jollibee moved into Taiwan in 2006 by buying 70% of Taipei restaurant business Lao Dong and the Chun Shui Tang tea house business. In 2004, Jollibee bought Chinese fast food chain Yonghe Dawang for USD 22mn and now has 160 outlets in China, with another 50 planned for this year. The target is 350 outlets in China by 2012 (KFC has 2,800 outlets in China, so the potential is huge). Jollibee has also joint-ventured with US-based Chow Fun Holdings, the developer and owner of Jinja Bar Bistro in New Mexico.

A Jollibee restaurant in Hong Kong and its popular product, the Aloha burger

Gaining in confidence in its integration skills, Jollibee stepped up the size of acquisitions in late 2008 with a USD 55mn deal with Beijing-based Hong Zhuang Yuan. Today, Jollibee is a global business with a proven ability to move into markets that are growing fast, where it can apply its simple business model and operating principles. Apart from its home turf and China, it now owns businesses in USA, Saudi Arabia, HK, Vietnam, Malaysia, Indonesia, Dubai and Brunei and addresses all the major price points with different products; this is the key to success in its business.

Management is targeting 50% of profits from outside the Philippines by 2015 (now it's 18%).

Recently, Jollibee has opened 15 "low end" Manong Pepe outlets; this is a direct assault on the street stall market in the Philippines, which accounts for 75% of the eating-out market (the "informal" economy). This could be a huge money spinner for the Busy Bee.
Its ongoing development and a huge advertising budget are easily financeable as Jollibee is generating about USD 100mn of annual cash flow in the Philippines.



International presence of Jollibee stores

Buzz Off McDonalds

McDonalds has 380 outlets in the Philippines compared with Jollibee's 1560, so not even the might of MCD has smoked out the bee. Nor has KFC, despite the popularity of chicken in the Filipino market. An effective distribution network and strong supplier bargaining power provide scale economies in the Philippines and are starting to do so in China as well (this will boost profitability in Jollibee's key second market).

Jollibee has penetrated 180 towns in the Philippines in the last 18 years and has generated a 19% CAGR over this period. It estimates that another 120 towns are viable, so this underwrites strong profits growth for the next

Bee All and End All

What are our growth prospects in Jollibee?

We believe that all GTI growth holdings should all have sufficient internal growth to justify the share price doubling in 3-5 years.

Our GTI advisers estimate that real CAGR in *sales* of 8%+ is possible in the next 20 years. They also believe that EBITDA should increase by about 2% because of the imminent critical mass in China and elsewhere. The reduction in asset intensity should be good for profits as Jollibee adopts the franchising model in its growing international operations. This all adds up to a total rate of return –dividends and capital growth- of 15% per annum, enough to double the share price in 5 years.

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	58.07	23.6%	5.8%
Iberdrola	IBE:SM	Energy&Alt Energy	Dec-08	EUR	5.75	5.60	-2.6%	6.0%
Pfizer	PFE:US	Ageing Population	Dec-08	USD	16.90	16.57	-2.0%	4.2%
Roche	RHHBY:US	Ageing Population	Jan-09	USD	36.20	34.29	-5.3%	4.1%
Newmont Mining	NEM:US	Natural Resources	Feb-09	USD	35.00	57.40	64.0%	0.7%
Rio Tinto*(adj 1-4 issue)	RTP:US	Natural Resources	Mar-09	USD	28.75	53.91	87.5%	1.7%
Standard Chartered	STAN:LN	Emerging Mid Class	Apr-09	GBP	11.12	18.03	62.1%	3.3%
Infosys Technologies	INFY:US	Global Outsourcing	May-09	USD	32.40	62.05	91.5%	0.9%
Veolia Environnement	VE:US	Water & Ecology	Jun-09	USD	28.50	27.93	-2.0%	5.2%
PotashCorp	POT:US	Natural Resources	Mar-10	USD	110.50	111.76	1.1%	0.4%
Diageo	DEO:US	Emerging Mid Class	May-10	USD	60.00	70.36	17.3%	3.3%
Unilever	UL:US	Emerging Mid Class	May-10	USD	27.19	27.70	1.9%	4.4%

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	850.00	86.8%	2.4%
Godrej Consumer	GCPL:IN/ India	Emerging Mid Class	Apr-09	INR	142.00	359.00	152.8%	1.2%
Wumart	8277:HK/ HK	Developing China	Jul-09	HKD	9.50	17.50	84.2%	1.2%
Want Want China	151:HK	Emerging Mid Class	Jul-09	HKD	4.50	6.20	37.8%	2.6%
Nestlé India	NEST:IN	Emerging Mid Class	Sep-09	INR	2,214	2,823	27.5%	1.7%
Tao Heung	573:HK	Developing China	Sep-09	HKD	2.75	2.96	7.6%	4.2%
Hsu Fu Chi	HFCI:SP/ S'pore	Developing China	Nov-09	SGD	2.01	2.60	29.4%	2.3%
Sonatel	SNTS:BC/ W Afr SE	Emerging Mid Class	Dec-09	CFA	120,000	134,000	11.7%	9.1%
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	30.75	18.0%	1.0%
East African Breweries	EABL:KN	Emerging Mid Class	Mar-10	KES	155	185	19.4%	4.4%
Britannia Industries	BRIT:IN	Emerging Mid Class	Mar-10	INR	1,581	2,073	31.1%	1.2%
Jollibee Foods Corp	JFC:PM	Emerging Mid Class	Jun-10	PHP	61.00	84.80	39.0%	2.3%

Gold Basket (to be bought together, 1/3, 1/3, then 1/3)								
IAMGOLD	IAG:US	Natural Resources	May-10	USD	17.58	17.89	1.8%	0.3%
Fresnillo	FNLPF:US	Natural Resources	May-10	USD	12.70	16.90	33.1%	1.4%
Eldorado Gold	EGO:US	Natural Resources	May-10	USD	16.65	17.46	4.9%	0.3%

A quick tour of our GTI advisers.

GTI's superb Singapore based "**Developing China"** and "**Emerging Middle Class"** advisers, Arisaig Partners, wrote to us a few days ago:

"Our 26 holdings are all dominant consumer businesses, including food and beverage (41% of the Fund), household consumer items (27%), retail (18%) and fast food (7%). The portfolio shows a weighted average market capitalisation of USD3.2 billion and Return On Capital Employed of 52%.

The NAV of the Fund has risen by 52.7% over the twelve months since we re-positioned the portfolio. This compares to a 22.1% increase in the MSCI Asia ex-Japan (Net) Index.

We make no prediction on overall stock market trajectory or valuation. What we can say, however, is that ***nothing we are seeing on the ground (we have had 220 meetings with our holdings already this year) suggests that growth rates are slowing."***

We'd trust our advisers Arisaig long before we trust an army of gloomy economists.

Quote of The Month

And One More Thing.....

I used to get stopped a lot on the streets of Abidjan.

"Cigarette, Monsieur?"

He was always there, a small Ivoirian with a nervous, ratty smile, unsure how I would react. He carried what looked like a tea tray, with a baffling selection of cigarettes, bound with coarse string into "threes" and "fives" and occasionally "tens".

He also displayed tiny boxes of matches, of uncertain manufacture and terrifying combustion. Once lit, their phosphorescence would flare and fizz at you, exploding into rainbow colours, often burning holes in your trousers. He told me that the matches were made by dipping the end of the match into paraffin, then plunging them into a wet mixture of phosphorus sulfide and glue. I never knew if this was true, or where the cigarettes and matches actually came from, but I could guess. And I knew that this was the "informal economy" at work.

The "informal economy" is a very important part of our GTI and it is going to be of lasting and huge benefit to many of our GTI stocks.

In a developing or "growth" country, much economic activity is unrecorded. (This is why august institutions like the IMF and UN are nearly always wrong when they try to measure the true state of a developing world economy). But our GTI advisers all tell us that –in Africa and parts of Asia- as much as 50% of a developing economy may be "informal". How likely is this? Well, consider how much of a "developed" economy operates on an informal basis and you can easily believe 50% for a growth economy.

The "formalizing" of a growth economy has two main benefits. First, it simply makes the economy grow faster and bigger, as the formerly "black" economy starts to get counted with the "white", and new tax revenues nourish a growing local infrastructure. And, second, the goods and services that dominated the old informal economy – moonshine alcohol, snake-oil cures, toxic cigarettes and allotment vegetables- are replaced by their more modern counterparts.

This plays to GTI's ***"Emerging Middle Class"*** theme. Who really wants to drink beer from a shebeen where alcohol levels have been bulked up on battery acid and methanol?

This "formalizing" is big business. Diageo's competitor, SABMiller, believes opportunities to erode the role of the informal beer market in Africa are huge. SABMiller conducted research into 9 of the 14 African countries where it has operations and concluded that the informal market is responsible for about 40m hectolitres of hooch a year with a value north of USD 3bn. In volume terms, that amounts to four times SAB's sales in the whole of Africa.

Diageo, our stock of the moment, is a very good example. Beer is widely drunk in Kenya, but not spirits. So Diageo's game in East Africa –and, remember, they control 95% of the ***formal*** beer market- is to gradually encroach upon the market share of local –and ***informal-*** brewers and as consumers tune into the merits of "Tusker" beer, sell them higher margin spirits as well.

Diageo's Kenyan profits will then explode. But hopefully not the matches any more.

Good Investing.

Iain and Bruce

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.

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 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

Bruce@brucealbrecht.com