

Ignis Asset Management

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Conference Call transcript

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Cartesian Quarterly Update

Presenters

- Alisdair Bell
- David Stevenson
- Jeremy Hall

Alisdair Bell

Good morning everyone and welcome to the quarter two Cartesian update. I am joined this morning by David Stevenson, Fund Manager of the Ignis Cartesian UK Opportunities Fund and Jeremy Hall, Fund Manager of the Ignis International Cartesian Enhanced Alpha Strategy. At this point I would like to refer you to the slide presentation which was attached to the reminder e-mail you would have received this morning. David and Jeremy will take you through a quarter two market review including performance, which will then lead into their current thoughts on the markets, followed by a summary of the Cartesian long and short positioning as it currently stands. I would now, at this point, like to hand you over to David Stevenson to commence the investment update.

David Stevenson Thank you Alisdair, good morning everybody. If I move you quickly on to slide 3: on the face of it a near 12% fall in the UK market in the Second Quarter comprising three consecutive monthly declines, would appear to be a very significant market correction. The last time we had three consecutive monthly declines, to put it in context, was at the end of 2008 in the depths of the credit crunch. However, I think we have to put this quarterly move in an alternative context which is momentum that has driven the market up from a low point in early March last year to a high point in mid April within the Quarter. That represents a rise of nearly 70%; therefore, some rolling over is almost inevitable after such a sharp rise.

However, there is more than just a little bit of profit taking behind this. The key thing is that within the Quarter there were some fairly significant negative influences both micro - and by that I mean individual company profit warnings, interestingly enough, both within defensive and growth companies – and more importantly some fairly negative macro influences, and it is those that

really made the difference to investor sentiment with the period. You can take your pick from a combination of some fairly big issues, most of which you will already be aware of - the Eurozone, sovereign debt, downgrades involving Greece, Spain and Portugal, which is actually ongoing even today – on the back of that, fairly significant euro currency weakness. We then had a slight shift in investor sentiment caused by ongoing Chinese policy tightening and the fear of a slow down in emerging markets; on the back of that and some disappointing US data, which raised a threat of the developed economies not recovering as fast as previously had been expected; and then within the UK a very stark picture presented of the UK public finances by the Coalition Budget. All of these things together are just a further significant change in risk appetite.

Happening alongside that there is bear activity as we have pointed out before, but interestingly enough a number of those events have involved talks being terminated, or put into cold storage. All of this really confirms a combination of profit warnings from defensive and growth companies, the big macro picture and some stalled bids, all confirms what again we have said before, is a very difficult growth environment. It is not necessarily a zero growth, but it is certainly a very low growth situation. In that environment, again as we have predicted before, quality companies have begun their relative recovery. These are the companies that were completely neglected and overlooked during that strong market momentum last year, and I'll leave Jeremy to cover off some graphic examples of how that relative recovery is coming through.

On slide 4: as we found in Q1, this environment is much better suited to our process. And our performance against the benchmark and peers: I am pleased to say that both funds had a very good Second Quarter, robust relative outperformance by the Opps Fund, which I remind you is purely long-only, almost 4% relative outperformance against the benchmark; but even more dramatic is Enhanced Alpha's 14% relative outperformance, our long-short product, against the benchmark*.

Q1 and Q2 together puts both funds in very attractive peer group positions; 19th percentile for Opps and 2nd percentile for Enhanced Alpha*. As I said before, if you are wondering about the relative performance differential, Enhanced Alpha really has much greater flexibility through its greater growth exposure in the long-portfolio and also concentrated short-portfolio, which makes it perfectly suited for the current market environment.

After such a strong sell off, it is no surprise that in July we are seeing a bit of a rebound with markets strongly up 4-5% so far; Enhanced Alpha in line, Opps a bit behind, but we're basically keeping up with the strong rebound as well this month*.

On that note I will hand to Jeremy who'll run through Cartesian's current views and positioning.

Jeremy Hall

Thanks David and good morning everyone. The next few slides really summarise what we feel has been going on in the market over the Quarter and potentially some trends we see continuing through the second half.

On slide 5 we have a couple of charts: the left-hand chart is the measurement of performance of high quality vs low quality stocks that David hinted at earlier – it is a measure primarily based on balance sheet strength. What we had noted in the Q1 call was the extreme nature of the outperformance of what we would regard as low quality stocks. I am very pleased to say that has rebounded a little bit, but certainly well off the trend line. I would point out that the long term trends support sound fundamental investing and we do not see any reason why that shouldn't return to somewhere near trend. A combination of why maybe people have started looking back to these quality stocks; spike and volatility as measured by the VIX, but any sort of risk measure that we choose to look at has seen a significant increase in risk aversion. This is mainly a reaction to a number of macro concerns that David listed and not least worries over sovereign debt.

Turning to slide 6, I'll briefly touch on what is going on with the macro backdrop. The leading indicators have now firmly rolled over, topped out and rolled over. Actually we started to see that in the tail end of '09 and hence why the relative performance of those more signed quality companies have started to work again.

The Economic Cycle Research Institute tends to lead the US ISM, but the ISM is more of a proxy for the stock market. We're keeping a very close eye obviously on these lead indicators; we are also watching credit spreads, we're watching the yield curve, falling stock prices and unemployment - all add up to a nervous period.

The analysts on the right hand side have also expressed a degree of nervousness on the back of that; the enthusiasm for earnings upgrades has diminished pretty significantly over the Quarter. We touched a pick of 66%; this is a measure of upgrades over downgrades in May and that has rattled back fairly quickly to the 55% measure. We're firm believers that the confidence of consumers and investors plays a lot off stock markets, so we are simply asking the question where do confidence measures goes next; and also do analysts start a second round of moving to those confidence indicators, but certainly much less enthusiasm for earnings momentum then there has been.

On to slide 7 and touching briefly on one of the major macro concerns that David mentioned. We've been flagging sovereign debt as a bit of an issue and discussing it internally and externally since the tail end of last year, but it came home to roost in Q2 of this year. On the left hand side we have witnessed what the Euro has done against the relative safe haven of the Swiss Franc. More notably the Euro did stabilise a bit against the Dollar recently; we're more inclined to think that there are more issues going on with the Dollar, because when you look at it against the Swiss Franc it continued on to new lows.

On the right hand side a hopefully fairly familiar CDS premium chart. I've deliberately left off the slightly more scary charts belonging to the so called PIIGS and the reason why is because what we can see is we have chosen France, the UK and Norway - Norway obviously a country in surplus, so that is probably a reasonable comparative. UK went pretty quickly, people got worried; France [who] more recently, many more concerns and more importantly at a time when the UK seems to be taking on a relatively more secure status for investors. Certainly the UK emergency Budget has averted a crisis in the bond markets. It has been widely applauded and certainly in the face of a market baying for bond and currency blood, if you like, it felt like the right thing to do.

A couple of cautionary notes around that; we feel that the budget was well flagged; a lot of information came out in the press; there was a lot of softening of the electorate before it actually came out and not to forget that the impact is real. It does represent a drag on growth over the near and medium term; it will impact consumer sentiment and indeed there will be large swathes of Government spending which companies will no longer have the benefit of being able to win contracts for.

We pick up on the consumer point on slide 8, and we've been following this monthly ASDA Income Tracker quite closely. Just to explain a little bit about what this is trying to achieve, if you haven't come across it before; the Income Tracker is essentially an amount remaining after the average UK household has had taxes subtracted from income and bought what are deemed essential items – grocery, utilities, mortgage costs et cetera. The average UK household in May of this year had about £210 of discretionary income per week; more importantly, what the graph is showing is that is a fall, year-on-year of £6, or about 2.5%; it is the 5th month in succession of a fall. There are two aspects at work here: one is above target levels in inflation, so cost of living is up 5% year-on-year and we can point to things like petrol and mortgage costs; and the other is there is a muted growth in regular pay, so gross incomes excluding bonuses are rising very slowly, as you would expect given the state of the employment market.

We can see very clearly from the graph the impact of the period of low VAT and falling mortgage costs last year, but it is interesting to see the impact that the restatement of VAT and rising mortgage costs this year. We are not too concerned about inflation; we think these temporary factors will wane and inflation should drop back. However, public sector cuts in the emergency Budget are likely to result in job cuts, so we are certainly not anticipating any strength in income from here, and we note that this is before VAT goes up in January of next year post the budget; so a worrying time for the consumer and something that we're keeping a very close eye on.

How does all of this manifest itself in the portfolios? Page 9, briefly on fund positioning; just a point to note that this has not changed; this is - hopefully if you have joined us before, a slide that you'll recognise - what we're looking for in the long book and have is attainable recovery value creation, GARP, secure yield, a slight international bias; what we're looking at there are stocks like AstraZeneca, which we have been banging on about for a while. AstraZeneca to us still represents good value; it's got a secure yield; it's had a positive announcement on key drugs recently - another one to come out this month - and consequently is receiving earnings upgrades in spite of a more testing macro backdrop; so very happy to keep running positions like that.

Britvic similarly, the drinks producer; strong value creation from the company; using its strong balance sheet for acquisition opportunities to improve the situation of the Company. A stock we added recently to the portfolio is WPP; it is what we would put into the attainable recovery camp. It is geographically diversified; it's working of a lower cost base, and for us the evidence of adspend stabilising is pretty clear.

Where we are involved domestically, we are involved in selective food retail plays, we're involved in those types of companies where we can see value creation, and more importantly those types of companies which will be absolutely fine in what we deem to be a low or difficult growth environment.

Flip side, on the short-list, we have a number of plays where we see there is recovery risk; we see value destruction; we see special situations; and the last point, domestic spend including Government where we've already seen contracts delayed or cancelled around highways, around schools, around defence. There are a number of companies in the UK, contractor companies, consultant companies which have been the beneficiaries of large Government spending and contract wins. Life is just becoming a little bit more tough for these companies. I guess a prime example which fits into a number of camps on this side is Connaught, which is the social housing company. Connaught is a slightly unusual combination of two factors actually; its

obviously having difficult end markets in terms of social housing contracts, but we've long pointed out some of the accounting irregularities around the company, which leaves us very uncomfortable, and we've certainly had a good return on being negative on that stock recently.

Another company to return to, which possibly we've talked about before, is Regus, the temporary office company. In spite of a degree of management enthusiasm and analyst enthusiasm at the beginning of the year, we still see recovery risk with this company and indeed just remind you that it still struggles to create value. Within the short book a key point is that we're beginning to see share price reaction to disappointing updates, be it loss of contracts, be it accounting irregularities, be it bids that have not materialised; so what we are guessing with Enhanced Alpha is create two sides of the coin if you like - solid long return and very good short return has recovered as well. At this point, to reiterate that strong performance and also the flexibility of the product, we've always worked with a long/short mindset and the environment of the minute is very ripe for that just now.

Questions and Answers

Rod Price – *Aberdeen Asset Management*

I was wondering if you could just make some comment about Rockhopper, because I see it is about 9% of the Enhanced Alpha Fund and I think it is in Opps as well, just sort of explain your rationale behind that.

Jeremy Hall

As a result of the situation with the Falkland Islands Oil E&P companies, we got involved with Desire - which is one of the companies which is looking for oil - just over 10 years on from when wells were abandoned the last time around. They looked to raise money at the tail end of last year, so that essentially introduced us to the area; we participated and sold out at a profit when the announcement came through from Rockhopper that they had made a discovery. I should point out that Desire made a discovery of gas in one of their wells – Liz - but it wasn't deemed commercial at that stage. When Rockhopper announced that they had made a discovery, we knew it was a opportunity and acted very quickly to put a position into the portfolios, given our knowledge of the background situation. The position that they started off at was 9%, and I am very pleased to say it has got there through performance of the stock. What essentially Rockhopper have found in their Sea Lion discovery is a good commercial find, which could be worth anything up to we believe £6, with a degree of conservatism.

What they have to do next is flow test the well; the timetable for this is within the next two months. The rig which the companies jointly participated in has come back to Rockhopper following a field discovery by Falkland Oil & Gas and BHP in the south of the island; and they will now move to flow test Sea Lion and confirm whether it is flowing appropriately or not. We remain confident that the shares are undervalued and that the company should be able to test the flow rate satisfactorily. Consequently we deem it a reasonable degree of chance that it will be commercial; consequently we feel that the shares are still underpriced at this level although I would hasten to add that we have taken profit along the way.

Rod Price

I was just also looking at other positions in the portfolio and SuperGroup is again ... it is quite a small company, but quite a large proportion of your fund; again I was wondering if you could just run through the case on that.

Jeremy Hall

SuperGroup is - I don't know if you have come across it - trades as Superdry in the primarily UK retail market and cult stores as well. I must confess, I won't claim to have been into a cult store, to be honest, but we had the chance of meeting management pre-IPO at the tail end of last year. To us at that time it represented a very interesting fast growing company; it very evidently was seeking funds to grow, as opposed to the IPOs that were presented at the beginning of this year to the UK market – the likes of New Look springs to mind – where to our understanding that those were simply refinancings. They were not necessarily representing good growth opportunities; that was the case of refinancing on an issue. This was different; this came at 500p; it was not to re-finance the company, it was funding for growth and we very pleased to say that having had conversations with management over the piece, that growth continues. We're due to hear from the Company very soon; we have been taking a little bit of profit, over 800p, which is not a bad plan, when it has come up from 500p, but it remains a good core part of the portfolio.

It is one of those stocks that as stores rule out, analyst numbers will just simply be wrong on a 2-year view, because it is very difficult to model companies that grow top line at 20+% and are including opening new stores and I hasten to add that the stores that they are opening in the shopping centres, the landlords are offering them pretty extraordinary deals to get them into the shopping parks, because it pretty much immediately increases footfall; it is a company that is growing very, very quickly. Is there fashion or brand risk? Yes possibly, possibly there is; they, of course, claim there isn't; they say they've got a broad spread of customers and they point to

the fact that the pricing is sensible not premium. They state that they are away from the high fashion end of the UK clothing market.; I'm not too naive as to believe that; it's not a brand that has a bit of a tail wind with it. We'll keep an eye on it, but it is a pretty simple growth story which sits very well with how we're positioning the portfolio just now.

Rod Price

I notice that it doesn't seem to be in the stock list for UK Opps and obviously Rockhopper is also a much smaller position in that Fund as well; are you trying to push the long book of the Enhanced Alpha away from Opps?

David Stevenson

I'll pick up from the Opps side; the way Cartesian operates is on the basis of a team approach to coming up with ideas, both long and short. That pool of ideas is available, but it is very much down to the named Fund Manager for the product as to how he combines and selects from that pool. In terms of Rockhopper our Hedge Fund and Enhanced fund were into it from a very early stage when liquidity was more difficult. We run Opps alongside our institutional segregated mandates, so at that point there was of the order of 400 million of portfolio size and the daily liquidity in Rockhopper precluded it at that point. Opps got involved at the point at which there was a fundraising, I think round about 50 million that they raised post confirmation of the initial quality of the well results. Everything came together at the right points for Opps.

In terms of SuperGroup, again it was primarily a liquidity issue, but equally again it's down to the individual manager as to whether he takes on board all the ideas that are available across the team.

Jeremy Hall

Both stocks primarily it is a liquidity decision; we are not deliberately taking funds in different directions, to be honest. There are three of us working very hard and we don't want to make life any more difficult for ourselves than necessary. As it stands, the Enhanced Alpha long book sits, as it typically does, with anything between a 70 -80% overlap with UK Opps. It just retains that little bit more flexibility in terms of where it can go and position size; and I reiterate that position size is pretty important. As David mentioned, we have considerably more gross to play with, with the Fund, and obviously we have a concentrated short book as well. It just retains a little bit more flexibility and to reiterate what we said from the start, having a product like this in the right set of

hands - what I mean by that is people who have been running long/short and understand the subtleties of that - can be quite powerful and we are certainly experiencing that with the product just now.

David Stevenson

I think it's also worth mentioning in terms of the portfolio detail on slides 10 and 11, 13 of the top 15 active positions in Enhanced Alpha are also in the Opps portfolio, indeed the top 15 actives in Opps are all in Enhanced Alpha. Rockhopper and SuperGroup are outliers from that point of view.

Jeremy Hall

For completeness there is no stock in the long/short from long book that isn't in one of the other funds. Obviously the long/short short book is different because it has a greater chance to take more exposure, more weight, but as I said we don't look to make life more difficult for ourselves and than it already is. Hopefully that has helped.

Rod Price

Given your comments earlier about the outlook, in particular pressure on Government spending, I notice that the Serco is quite a large active waiting and I see also you've also got some Chemring in there which [unclear] exposed on the defence site. I was wondering if you could comment on how those fit into your views on Government spending.

David Stevenson

It remains to be seen how far the ripple effects of this austerity regime will travel, and to be honest if it is going to impact Government and consumer spending, then quite a huge proportion of UK economic activity is going to be impacted, but I think it is important to make some distinctions. Within Government spending we would definitely separate operational expenditure budgets from capital spending budgets. Capital spending budgets have been clearly the main driver of construction activity in the UK for the last decade and a half many companies have done well out of that. Those areas, as we've seen from the headline already, are the ones most likely to be cut back massively.

I think operational expenditure budgets are a bit more subtle, without suggesting that there are not going to be some impacts along the way. I think behind the addressing of the UK public finances there is a political agenda as well; the Coalition (and notably the Tories) want to see a rolling back of State activity, a reversal of what's been really going on for the previous 13 years. Some of that may well involve some operational frontline services not being provided, but for the most part we think it is likely that a number of those services will find their way into the private sector - the outsourcing plays (and we would include Babcock within that), which will appear in the top 15 I think in due course as a consequence of the Babcock, the key group deal. Babcock is involved in critical asset infrastructure, things like maintaining nuclear submarines and it is highly unlikely that all of a sudden the nuclear submarines will be allowed to fall into decay. There are other areas of MOD outsourcing that Babcock does and the MOD as a department has been very slow to outsource, so we think in circles involved in defence areas and in other areas - Prison, for example, Prison Management; less than 10% of the UK's Prisons are operated in private hands, very different from the situation elsewhere, particularly in the US.

We see these as areas where there is opportunity; it remains to be seen. It is likely that there will be pricing pressure applied; already the Government Coalition has called the outsourcing companies to 10 Downing Street to basically talk turkey on pricing and how savings can be made. There could well be an offset to enter longer duration contracts and greater outsourcing potential, as an offset to placing pressure. Something like Chemring is a very specific defence play. The fatality and injury rate in Afghanistan caused by roadside bombs is utterly catastrophic; and none of the Western forces involved - they are US, UK and others - can tolerate not spending to protect troops. The primary driver of Chemring is the provision of roadside bomb detection devices, and it is already continuing to see steady contract flows as long as that theatre of war continues. Yet there will be a point at which Chemring will see some topping out of that growth, but for the moment it is very visible. We would say that our exposures to Government spending are very much in the camp of further outsourcing.

Rob Price

Looking at the short book in the Enhanced Alpha Fund, I notice you've got a short around gold and I think from memory you have had a short possibly on an offering in gold for some time and yet it continues to push higher and within the last month or two it has hit come highs again. I am wondering in terms of at what point you might admit that maybe gold should be pushing higher, given the wider concerns about Government budgets, particularly the US and the pressure it is likely to have their currency.

Jeremy Hall

A couple of things at work: we are nervous around the gold price for a number of reasons, but quite apart from that Randgold Resources for some significant time on a fundamental basis, has quite simply been trading at fantastical multiples. When we started looking at this company the price-to-book was in the region of 5 or 6 times, and I am sorry to say that is now up at 9 times, so it has been a bit of a painful one for us. Yes, we have had to adapt and adjust; we don't get them all right, obviously, but at 9.4 times December 2010 price-to-book falling to only 7.6 times December 2011, we just asked the question, what is the stock market expecting from this company? We think quite a lot, to be honest. It is partly a play on the gold price, but mostly a play on fundamental valuation points which look frightening to be honest; a bit of both with a leaning towards the latter. Gold does not particularly have a use; it is speculative of nature and pricing will reflect that. We have our own views on where we think that speculative price has got to, but as I say it is more a case expectations of this company being extremely high.

Rob Price

So it is at least a good chunk stock specifics [unclear].

Jeremy Hall

Very much so; we look at valuation statistics that are 48 times earnings, 14 times sales, 9 times price-to-book. We have got an EBITDA on this company of 30 times - you don't have a yield. It just looks pretty spectacularly overvalued to be honest. I wish I had cut more of it earlier, yes, but would it be the right thing to cut it here fundamentally? I think not.

Rob Price

I also noticed that you don't have any other long mining positions; I think you've got a short in [unclear]. I know that Talvivaara Mining had a pretty volatile time over the last couple of years and had another good run up last year and has been coming off a little it this year. Presumably your position on mining generally is unchanged and that things just look extended.

Jeremy Hall

We are quite simple people really at heart, and we believe that mining has been through a spectacular period of super normal profits and we don't believe that those profits are sustainable; and to be honest that is absolutely at the heart of the call. What we have done with Enhanced Alpha is on a recognition that the mining sector has pulled back fairly significantly. We have

taken some of those off, so we are quite specifically targeted in what we have; and you mentioned Randgold, Talvivaara is frankly baffling to say the least. This is a company which has had nothing but serial profit warnings and the price continues, on the face of it, to be propped up by a number of Scandinavian investors. We don't believe that the company is going to be profitable near term. We know that working capital requirements are very tight and it is one of those classic situations where it is a continuing round of financings on the promise of a delivery of profit. We are making a bet that that profit does not come through any time soon.

The bigger picture is one still where we are not ready to invest in mining companies. We don't see the value based on our concerns over what are still super normal profits. You are probably getting a little bit bored of hearing me say that the analyst expectations of what should be a blossoming of profitability for these companies, is pretty close to what the previous peak earnings were for these companies. We take the view that if that's your starting point then we need to build up a very, very robust case as to why companies will continue to generate super normal profits for an indefinite period, and we are more nervous around those types of issue....

David Stevenson

I think it is important to say as well that our valuation approach is risk adjusted; there is no doubt that both the mining sector, and indeed international industrials, have been a short cut way for markets to play international growth better than perceived domestic risks. Equally there's no doubt now that China is trying to cool things down in a managed way; let's hope for the global economy that they do achieve that, but that rolling over, that topping out is already in place. We are also, albeit that it hasn't been finally agreed, seeing the rise of Governments globally looking to tap into that super normal profitability. Australia and India are both talking about raising mining taxes and to be honest, why wouldn't they? These companies have made fantastic money out of natural resources in these countries; why shouldn't the countries take a greater share of that going forward? On a risk-adjusted basis we just feel the sector is beyond the peak and we can find other more attractive valued ways of playing international growth than just the tramline that the rest of the markets seem stuck in.

Jeremy Hall

I suppose a pretty clean example is on the analysis that we do, when you have a look at Rio and what it was in terms of Alcan and you assess profitability, what analysts are assuming is that Alcan essentially will not only achieve a level of profitability that is as high as the previous peak - which is about 7 odd percent - but actually considerably higher, and in some instances up to double that. The underlying assumptions on that level of profitability are very, very bullish.

We raise the question of why can a company that buys another company which has never achieved anything more than a 7% maybe 8% profit margin, do so much to double that margin and constantly maintain it at that level indefinitely? So just raising a few question marks over evaluation and profitability in that area as ever, and that's not to say that we will never own a mining company again. As a team, albeit I wasn't part of it, back in the good old days the guys were very quick into the likes of Antofagasta in the late 90s when the evaluation was deemed appropriate and interesting; and we just don't as a team feel that we there right now.

Rob Price

One more question; I notice in Opps you've got a position in Man Group and you're also long in the Enhanced Alpha, but you're short in BlueBay. I just wonder what your position there is on the Hedge Fund Managers in that sector.

David Stevenson

I think one thing that would differentiate the two of those is perhaps balance sheet quality. We see Man Group as over capitalised giving it the potential to do the deals; it has recently announced GLG. Yes, it is a tough environment; AHL is a drag at the moment, but it has actually been diluted by the GLG acquisition and now accounts for just over 50% of Man's business overall. If we could get some sort of consistency on AHL performance we do believe that Man's industry-leading brand set against the backdrop of our much more risk adverse Hedge Fund Investor and more obligatory constrained industry, will ultimately win out.

Jeremy Hall

BlueBay is a combination of a couple of things; one being a fairly opportunistic call on a Q2 backdrop, which as we got through the Quarter looked pretty messy, frankly, for all the reasons that we have laid out. Consequently net flows generally - as I'm sure everybody on the call can testify to - have been difficult at best and more importantly some of the company is pretty much at capacity now in terms of investment grade stuff, which is still pretty much getting on for two-thirds of assets. We think that the market had put too much expectation of growth on the high yield and emerging side, given where the stock had got to; so a bit of an opportunistic call in terms of timing. We don't, just to reiterate, necessarily seek to pair off longs and shorts; we are very firm believers of the ability to add alpha or add value from the short book. Sometimes we will look for natural offsets not, I hasten to add, deliberately sector pair trading, but just to reiterate that's not

necessarily a pair [unclear]. We look to achieve alpha from all positions in the portfolio, preferably all of the time, but unfortunately it does not work like that all the time.

David Stevenson

In Man Groups a long held position; unfortunately it has not been one of our better ones, but it's been in the long-only portfolios for [multi-year].

Alisdair Bell

As usual there is a transcript and a replay facility available should you require any additional support from the call; and finally just to say thank you for joining the call and also for your continued support of the respective Cartesian strategies and that concludes the call so thank you.

*Source: Lipper, bid to bid, net income reinvested to 30 June 2010. The UK-domiciled Ignis Cartesian UK Opportunities Fund was launched on 29/12/2005 and the Ireland-domiciled Ignis International Cartesian Enhanced Alpha Fund was launched on the 8 November 2007.

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