MATRIX REVELATIONS

This month's Revelations includes one addition, one deletion, one upgrade and one re-iteration. Year-to-date our Revelations have returned 4.0%, outperforming the MSCI World Index (GBP) by 0.3%. In September, our picks returned 2.6%, underperforming the Index by 3.8%.

Our recommendations are based on a combination of both absolute and relative returns across two categories, Fundamental and Trading Views, and four recommendations. The potential return in the table reflects our one-year outlook.

Additions

- Pacific Assets Trust (**PAC**) – Fundamental Outperform (New Entry).

  The Manager's proven track record and differentiated investment process should allow the Fund to achieve long-term outperformance, the majority of which should be achieved through movements in NAV.

Upgrade

- British Empire Securities and General Trust plc (**BTEM**) – Fundamental Outperform (Previously Trading Outperform).

  Initially included in Revelations as a Trading Outperform (January 2010), the Fund has outperformed our benchmark by 7.2pts YTD and following our recent meeting with the Manager we are upgrading our call to a Fundamental Outperform.

Update

- JPMorgan Indian IT (**JII**) – Fundamental Underperform (Unchanged).

  We met with the Fund's Manager, Ruckshad Shroff, who maintains a positive outlook on the Indian economy but warns that valuations are above their long-term average. We retain our Underperform recommendation on the basis that the Fund is yet to establish a sustained period of outperformance.

Deletion

- Absolute Return Trust (**ABR**) – Deletion (previously Fundamental Buy).

  We delete ABR due to steady but indifferent NAV performance and our perception that the Board's observance of the prospectus comments on the discount have been lacklustre. We don't believe that ABR will undergo a re-rating until it has re-established its short-term track record.

Research
Samir Shah +44 (0) 20 3206 7352 samir.shah@matrixgroup.co.uk
Charlie Murphy +44 (0) 20 3206 7350 charlie.murphy@matrixgroup.co.uk

Fundamental View

Ticker	View	Price (p)	Ab / Rel TR (%)*	Potential T. Return	Target (p)
ARCH	Buy	$1.17	39.8%	15.9%	$1.35
BGHL	Buy	€10.73	41.2%	13.9%	€12.22
TREE	Corporate	76	19.9%	7.5%	79
IEM	Buy	116	-2.9%	8.0%	125
INPP	Buy	111	46.4%	11.5%	118
BTEM	O/P	466	7.2%		-
HSL	O/P	267	4.8%		-
JRS	O/P	599	3.3%		-
PAC	O/P	119	-0.7%		-
BRLA	U/P	695	-1.4%		-
JFJ	U/P	160	-8.5%		-
JII	U/P	119	-0.9%		-

Trading View

Ticker	View	Price (p)	Ab / Rel TR (%)*	Potential T. Return	Target (p)
AGOU	Buy	$7.77	18.9%	5.5%	$8.20
BRNE	Buy	38	-9.4%	3.8%	39
PEY	Buy	€5.00	14.8%	3.5%	€5.20
FCS	U/P	478	1.2%		-
TEM	U/P	620	-1.4%		-

Definitions

Fundamental view: *Opinion is based on long-term fundamentals – often combined with an entry/exit opportunity.*

Trading View: *Opinion is based on short/medium-term views with more discount/relative value-driven ideas.*

Buy/Sell: *Based on the expectations of more than a +/-8% absolute change in price.*

Out/Underperform: *Based on the expectations of more than a +/-8% relative change in price against the Fund's relevant index.*

** Total Return is expressed on either a relative or absolute basis depending on the view expressed and is from initial date of recommendation.*

Figure 1: Matrix Revelations as at 30 September 2010

Company Name	Ticker	View	Rec	Bench Mark	Date incl. in list	Return S. I.	Return YTD	Return QTD	Est. NAV	Price	Discount	Target Price	Potential T. Return
Absolute Return Trust	ABR	Fundamental	Buy		Jan-09	18.9%	(6.2)%	(2.4)%	132	112	(15.5)%	132.0	18%
Arc Capital	ARCH	Fundamental	Buy		Nov-09	39.8%	17.8%	17.8%	$1.43	$1.17	(18.5)%	$1.35	16%
Ashmore Global Opportunities	AGOU	Trading	Buy		Jun-10	18.9%	18.9%	13.5%	$9.44	$7.77	(17.7)%	$8.20	6%
BlackRock Latin America	BRLA	Fundamental	Underperform	MSCI Latin Am	Jan-10	(1.4)%	(1.4)%	2.5%	699	695	(0.6)%		
BlackRock New Energy	BRNE	Trading	Buy		Apr-10	(9.4)%	(9.4)%	0.0%	46	38	(17.4)%	42	10%
Boussard & Gavaudan	BGHL	Fundamental	Buy		Apr-09	41.2%	10.3%	2.7%	€13.25	€10.73	(19.0)%	€12.22	14%
British Empire Securities & General	BTEM	Trading	Outperform	MSCI World	Jan-10	7.2%	7.2%	3.1%	516	466	(9.8)%		
Cambium Global Timberland	TREE	Fundamental	Corporate		Jan-09	19.9%	11.9%	12.3%	88	76	(13.4)%	79	8%
F&C Global Smaller Companies	FCS	Trading	Underperform	World Small	Aug-10	1.2%	1.2%	1.2%	504	478	(5.2)%		
Henderson Smaller Companies	HSL	Fundamental	Outperform	HSGC	Sep-10	4.8%	4.8%	4.8%	326	267	(18.3)%		
Impax Environmental Markets	IEM	Fundamental	Buy		Mar-10	(2.9)%	(2.9)%	2.8%	126	116	(7.6)%	125	8%
International Public Partnership	INPP	Fundamental	Buy		Jan-09	46.4%	2.3%	(1.1)%	110	111	0.8%	118	12%
JPM Indian IT	JII	Fundamental	Underperform	MSCI India	Jan-10	(0.9)%	(0.9)%	(5.4)%	510	466	(8.7)%		
JPM Japanese IT	JFJ	Fundamental	Underperform	MSCI Japan	Apr-09	(8.5)%	(2.9)%	(4.8)%	185	160	(13.5)%		
JPM Russian Securities	JRS	Fundamental	Outperform	MSCI Russia	Jun-10	3.3%	3.3%	5.0%	664	599	(9.8)%		
Princess Private Equity Holding	PEY	Trading	Buy		Jul-10	14.8%	14.8%	13.5%	8.04	€5.03	(37.5)%	€5.20	3%
Templeton Emerging Markets	TEM	Trading	Underperform	MSCI EM	Aug-10	(1.4)%	(1.4)%	(1.4)%	665	620	(6.8)%		

Source: Bloomberg, Matrix

REVELATIONS

Absolute Return Trust (ABR) – Deletion (previously Fundamental Buy)

The Fund has returned -6.2% YTD and has underperformed our anticipated 10-14% return target. Our return forecast was predicated on a combination of discount narrowing to below 5% (c7% return from discount narrowing) plus continued asset performance (3-7% NAV return). The return of- 6.2% is primarily a factor of discount widening (5.6%).

We believe the board has not strictly adhered to its prospectus comments on discount management, as it has not used its semi-annual redemption facilities (up to 25% of NAV) and the use of buybacks has been limited. We also note that the Board's argument for the company's continuation (which was triggered by valuation issues) was entirely based on the investment case; limited reference was made to the reasons for the continuation resolution or to the Board's existing methods and plans to address the discount.

Combining this with OK but indifferent NAV performance leads us to deleted the stock from our Revelations. We don't believe that ABR will undergo a re-rating until it has re-established its short-term track record. Looking forward, we are comfortable with the asset management aspects of the Fund and believe that NAV performance will pick up. We would potentially be prepared to recommend the Fund in the future as a Trading call based on discount volatility.

British Empire Securities and General Trust plc (BTEM) – Fundamental Outperform (Previously Trading Outperform)

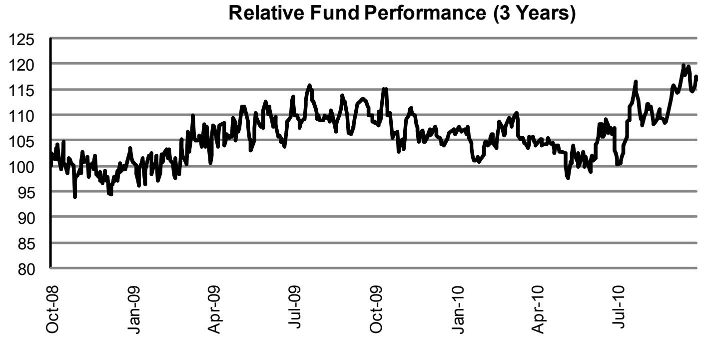
Initially included in Revelations as a Trading Outperform (January 2010), the Fund has outperformed our benchmark by 7.2pts YTD. Following our recent meeting with the Manager (John Pennink of Asset Value Investors, AVI) we are upgrading our call to a Fundamental Outperform.

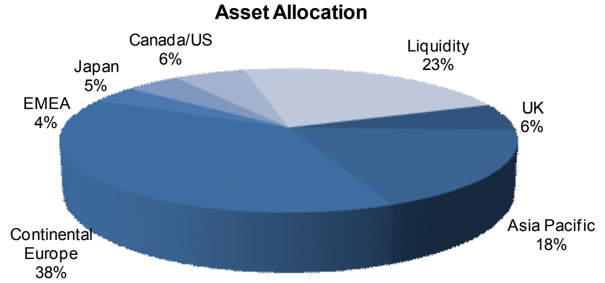
Pennink, (re)articulating the investment strategy, highlighted that his focus was on investing in under-valued securities (mainly discounted holding companies) that are backed by real assets, while retaining an awareness of wider market trends – a strategy that has remained unchanged for many years. In addition to holding companies (c50% of the portfolio), the portfolio has allocations for property, natural resource companies and closed-ended funds – all of which offer valuation discounts from time to time.

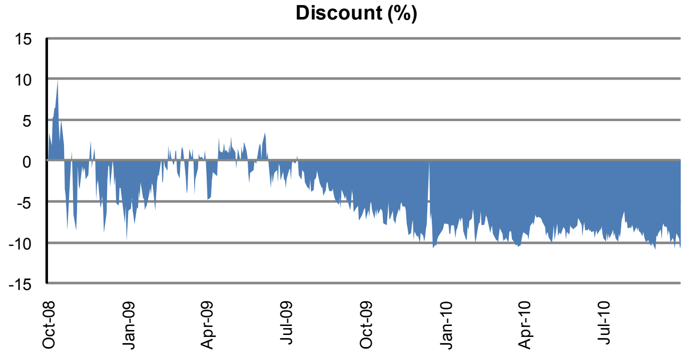
Currently, the Fund is 20% cash/fixed income, reflecting caution regarding global markets – which AVI believes are range bound and not offering compelling reasons to invest. The disconnect between analyst forecasts of US earnings growth (positive) and jobs numbers (weak) was highlighted.

As indicated in the initial inclusion of BTEM in Revelations, we have observed and commented on BTEM for many years. We highlight the consistency of the Fund's philosophy/ investment strategy and performance. The management team is not given to bouts of wild enthusiasm and does not provide investors with compelling reasons to buy right now, which can leave potential investors a little underwhelmed. However, we view the team's consistency of temperament and philosophy as attractive.

Figure 2: BTEM Summary







Overview:	Current	12m Range
Price (p)	466	392-469
NAV (pps)	516	435-515
Discount to NAV (%)	(9.6)%	
Dividend Yield	1.6%	
Z-Score	0.7	
Market Cap (£m)	750	
Net Assets (£m)	848	
Gross Assets (£m)	818	
Net Gearing	3.0%	
Mgt / Perf. Fee	0.6% of Net Assets / 6% of O/P of Benchmark. Total Fees capped at 1%	

Source: Matrix, Bloomberg

Matrix's key out/underperform metrics for BTEM are based around the Fund level (10%) and underlying portfolio discount (c29%), both of which are currently attractive. The portfolio discount, as reported by the management team, peaked at c33% at the end of 2008 and has been around 30% for most of 2010. The tightest discounts (c11%) were observed in March 2006 and coincided with a 10% premium valuation (May 2006) at the Fund level. We anticipate that we will maintain our Fundamental Outperform until discounts at both the portfolio and fund level have tightened significantly.

JPMorgan Indian IT (JII) – Fundamental Underperform (Unchanged)

We met with the Fund's Manager, Ruckshad Shroff, who maintains a positive outlook on the economy but warns that valuations are above their long-term average. While stocks are not cheap, he believes that they are not expensive either and that going forward, earnings growth will be the prime driver of returns.

Schroff believes that Indian GDP will grow at around 8% p.a. for the next 5 to 10 years. This rapid rate of growth will be largely driven by increased economic activity and consumption. In particular, he favours the dual themes of infrastructure and domestic consumption, as they are supported by positive underlying structural trends.

Thus his main focus is to find companies with superior returns on investment. He is willing to pay up for quality companies and to allow the effects of compounding to drive value.

We note that management maintains its belief that a bottom-up investment approach is the most appropriate strategy for India over the longer term. We believe, however, that the sector can be affected by momentum investing, which can at times overshadow fundamentals. This helps to explain why the Fund's performance can deviate substantially from the Index and this needs to be considered before investing in the stock.

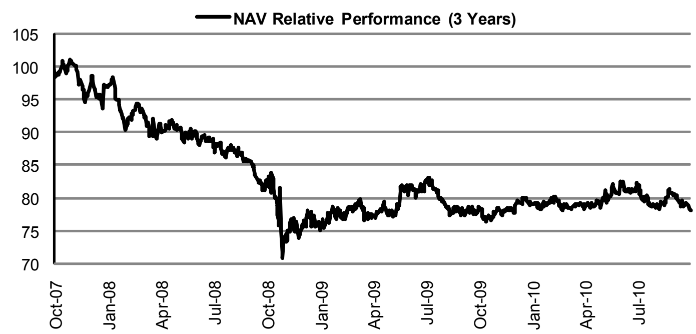
We retain our Underperform recommendation on the basis that the Fund has yet to establish a sustained period of outperformance. While JII has outperformed its Index (MSCI India) by 2.0% since being introduced to Revelations, the Fund continues to underperform on a three- and five-year basis. We would look for evidence of a more sustained level of outperformance before reconsidering our position. Furthermore, we do not believe the portfolio would be relatively immune to a decline in market sentiment towards Indian equities, which is a possibility.

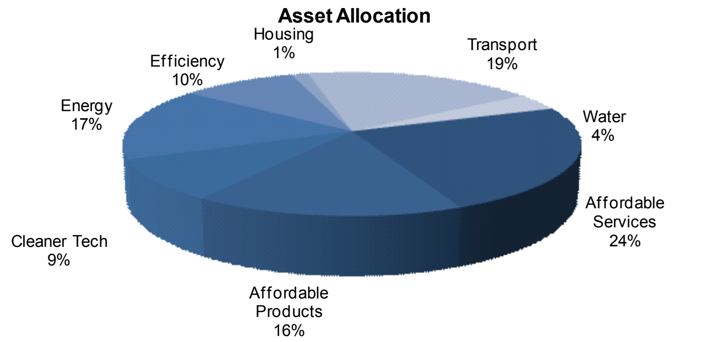
We believe that investors should consider the iPath MSCI India Index ETN as a viable alternative.

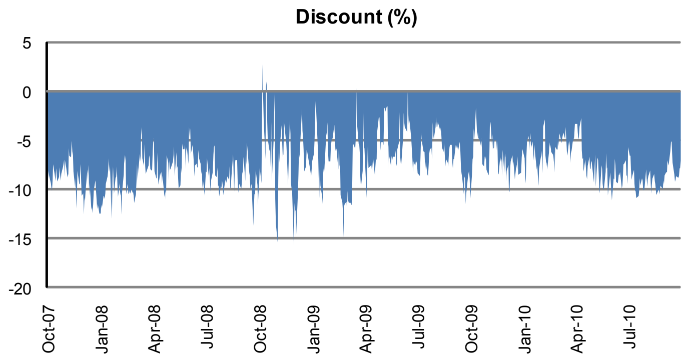
Pacific Assets Trust (PAC) – Fundamental Outperform (New Entry)

We introduce Pacific Assets Trust (PAC) as a Fundamental Outperform as we believe the Manager's proven track record and differentiated investment process will allow the Fund to achieve long-term outperformance. The majority of this outperformance should be achieved through movements in NAV.

Figure 3: PAC Summary







Overview:	Current	12m Range
Price (p)	119	97- 120
NAV (pps)	129	
Discount to NAV (%)	(7.8)%	(11.6) - (1.7)
Dividend Yield	1.1%	
Z-Score	0	
Market Cap (£m)	139	
Net Assets (£m)	152	
Gross Assets (£m)	152	
Net Gearing	0.0%	
Mgt / Perf. Fee	0.75% / 12.5% of any outperformance	
TER	1.6%	

Source: Matrix, Bloomberg

In May 2010 following 'disappointing investment performance' the Board of PAC conducted a strategic review and announced that, from 1 July 2010, its management contract would move from F&C Asset Management to First State Investments (FSI), where the Asia Pacific team would manage the Fund.

The Asia Pacific team, with David Gait as named manager, will manage the Fund on a bottom-up, sector-agnostic basis with the aim of investing in growth at a suitable price. While many Managers have such a stated policy, the team's process is differentiated by the requirement that all investments meet the overriding theme of being sustainable.

When referring to an investment as sustainable, the Manager does not mean 'green', 'clean-tech' or 'ethical', rather that it is looking to invest in companies that have a robust business model in terms of corporate governance, integrity, code of conduct and which will add value in the face of the development constraints faced by Asian countries. This means not investing in companies whose directors have previously been convicted of fraud or where material conflicts of interest arise between shareholders and management.

In addition to taking a sustainable approach, the Manager takes a pro-active stance to ensure that companies within the portfolio maintain their reputation and standing within the marketplace. This entails undertaking ground-level due diligence to ensure a company's actions match its stated policies and ethics. Any discrepancies are followed up directly with senior management.

Since taking over the Fund in July, the Manager has now revamped the portfolio towards its targeted holdings with the aim of largely replicating the Manager's open-ended Asia Pacific Sustainability Fund (APS). Since being launched in December 2005 it has outperformed the MSCI Asian Pacific (Ex Japan) Index by an average of 8.7% p.a. and with lower volatility. Due to the long-term focus of the investment process, APS has lagged the wider market when momentum investing is prevalent and has preserved capital more consistently through bearish markets, such as in 2008.

The success and popularity of the Manager's investment process means that APS and most of its other funds are currently closed or severely restricted to new investors, enabling PAC to provide a convenient route to access the Manager. Furthermore management fees are 0.75% of NAV and a performance fee of 12.5% of returns in excess of Index performance plus 1.75% over a rolling three year period. Total fees are capped at 1.75% of NAV.

We also note that the Manager's incentive fees from FSI are based on Fund performance over three and five years, which closely align Management with shareholders. Furthermore, a large portion of the team's performance fee must be re-invested into the Fund, which fosters a long-term buy-in to the Fund from Management. This also enhances the team's cohesiveness, which is demonstrated by the members' lengthy periods with the team.

Since July PAC's NAV has risen 8.4%, marginally underperforming its index, but it is still too early to see the full effects of the investment philosophy filtering through to performance.

One of the headwinds the Fund has faced is the fact that shareholders who held the shares through F&C's savings plans were able to dispose of their shares. The deadline for such disposals has now passed and will no longer act as an overhang for the stock.

Conclusion

Given the Manager's differentiated investment style and track record, we believe that the Fund is capable of mirroring the success of the Manager's open-ended sustainability vehicle and hence rate it as a Fundamental Outperform.

IMPORTANT DISCLOSURES

General Disclosures

Matrix Corporate Capital LLP (MCC) is committed to publishing accurate but non-independent research reports. MCC may provide financial advice to, and undertake corporate finance and other transactions on behalf of, companies on which it publishes research. Therefore, research reports published by MCC have not been prepared in accordance with legal requirements designed to promote the independence of investment research; nor is MCC subject to any prohibition on dealing ahead of the dissemination of investment research. Accordingly, this research report should be treated as a marketing communication.

This report was first released on 05 October 2010. Unless otherwise noted, the securities prices noted in this report were market prices on 04 October 2010.

We seek to update our research as appropriate, but various regulations may prevent us from doing so. Our reports are published at irregular intervals as appropriate in the analyst's judgement.

MCC's price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow, EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value (NAV), Price/Tangible NAV, dividend returns, and return on equity over the next 12 months.

This report has been prepared by the individual(s) whose name(s) appear(s) on the front cover. Unless it has been otherwise specified, the preparers are employed by MCC as research analysts. Research analysts are paid in part based on the profitability of MCC, which includes remuneration received from investment banking transactions.

Specific Disclosures

Company	Disclosure
Cambium Global Timberland	1,3

1. Matrix Corporate Capital acts as broker
2. Matrix Corporate Capital acts as NOMAD
3. Matrix Corporate Capital acts as market maker

MCC, its partners, employees and any affiliated undertaking may have a position or holding in any of the securities mentioned in this report or in a related instrument.

Ratings and Definitions

With effect from 21 September 2010, MCC has changed its ratings system from a relative approach to an absolute approach, placing further emphasis on absolute share price movements and Total Shareholder returns ("TSR"). TSR is the percentage change in share price from the current price to the projected target price plus projected dividend yield and other returns to shareholders such as projected share buybacks. The new rating system is based on a current 12 month view of TSR.

MCC will utilise five ratings, instead of the three ratings previously used (BUY, HOLD, SELL). The new ratings are defined below:

BUY – All stocks with projected TSR >15% absolute
ADD – All stocks with projected TSR 5-15% absolute
HOLD – All stocks with projected TSR -5% to +5% absolute
REDUCE – All stocks with projected TSR -5% to -15% absolute
SELL – all stocks with projected TSR <-15% absolute

Disclaimer

This report is issued by MCC which is authorised and regulated in the United Kingdom by the Financial Services Authority (FSA) and is a member of the London Stock Exchange.

This report is not directed to, or intended for distribution to, or use by, any person or entity who is a citizen or resident of, or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject MCC to any registration or licensing requirement within such jurisdiction.

This report is for the use of the addressees only and is intended for use only by a person or entity that qualifies as an authorised person or exempt person within the meaning of section 19 of the Financial Services and Markets Act 2000 (the "Act") or qualifies as a person to whom the financial promotion restrictions imposed by the Act do not apply by virtue of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or is a person classified as an "professional client" for the purposes of the Conduct of Business Sourcebook of the FSA. Consequently, this report is intended for use only by high net worth entities or by persons having professional experience in matters relating to investments. This report is not intended for use by other persons, in particular, "retail clients" as defined by the rules of the FSA. Any such person who receives this report should not act upon the contents of this report.

The information and materials presented in this report have been obtained or derived from sources believed by MCC to be reliable. Such information and materials have not been independently verified and MCC makes no representation as to their accuracy or completeness. Neither MCC, nor any of its directors or employees accepts liability for any loss arising from the use of material presented in this report.

Any forecasts or target prices shown for companies or securities noted in this report may not be achieved due to multiple risk factors including, without limitation, market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information or assumptions made by MCC or other sources relied on in the report subsequently transpiring to be inapposite.

The information and materials presented in this report are provided to you for information purposes only and are not to be used or considered as an offer, or the solicitation of an offer, to sell or buy or subscribe for securities or other financial instruments. This report was prepared for general circulation and does not give investment advice or personal recommendations specific to individual investors. As such, the companies and securities discussed in this report may not be suitable for all investors who must make their own investment decisions based on their specific investment objectives and financial situation utilising their own financial advisors as they deem necessary. MCC will not treat recipients of this report as clients by virtue of their receiving it.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect the preparer's best judgement at the date of publication and are subject to change without notice. The price, value of, and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. You may not get back as much as you invest. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

None of the material presented in this report, nor its content, nor any copy of it, may be altered in any way, transmitted, copied or distributed to, any other party, without the express prior written permission of MCC.

Matrix Corporate Capital LLP
One Vine Street
London, W1J 0AH
+44 (0) 20 3206 7000