



## Plug and play

### Technology fund taps fast-growing Internet commerce firms

By Rex Crum  
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SAN FRANCISCO (MarketWatch) -- Ian Warmerdam believes in being pragmatic. That's why the mutual-fund manager is calm about Google Inc.'s threats to exit the Chinese market and the implications such a move could have for Chinese Internet search giant Baidu Inc.

Baidu (NASDAQ:BIDU), after all, is an important holding in Henderson Global Investors Global Technology Fund (FUND:HFGAX), which Warmerdam runs from a base in Edinburgh, Scotland.

"Looking at the month-to-date numbers on Baidu, they have been really strong because of the talk about Google's (NASDAQ:GOOG) potential exit from China," said Warmerdam. "Baidu is a long-term holding for us, and we are happy with it. When it comes to Google and its issues with China, it's almost impossible to predict so we're just going to wait and see what happens."

For Baidu's stock, February so far has been a good month. The company's shares ended January at \$411.71 and closed Wednesday at \$482.13.

Warmerdam, has managed the Global Technology Fund since its inception in August 2001. He oversees about \$150 million in a fund that has returned 52% return over the past 12 months, almost 26 percentage points better than the Standard & Poor's 500-stock index (INDEX:SPX).

#### Vistaprint

Among the stocks in his fund that Warmerdam is especially upbeat about is Vistaprint NV (NASDAQ:VPRT), a Dutch company that provides online printing services for consumers and small businesses worldwide.

"What Vistaprint brings is a large scale and efficiency of printing to the small business market," Warmerdam said. "They take all these tiny orders and aggregate them at their print centers and bring down the cost of printing for the customer."

Warmerdam said Vistaprint is especially strong in what he calls the "micro business" market -- small firms of less than 10 employees, where the majority of printing is done offline.

"Their huge scale and proprietary technology allows Vistaprint to do these jobs much cheaper than can be done otherwise," Warmerdam said. "Doing this online offers huge cost savings and is far and away the largest space of the market."

Warmerdam said there have been a number of concerns about Vistaprint's stock, mostly due to the past practices of giving jobs to other companies that would then sign those customers up for cost-reduction programs with low-quality products. Warmerdam said Vistaprint is discontinuing this practice and, as far as he is concerned, "have put that to bed."

In U.S. trading Wednesday, shares of Vistaprint fell 1.2% to \$54.02.

### Mercadolibre

Warmerdam also is positive about Mercadolibre Inc. (NASDAQ:MELI), an Argentina-based company that is the largest e-commerce company in Latin America.

"They are set to be a major beneficiary of the online retail trend," Warmerdam said. "To some extent, they emulate the eBay model, and eBay is the largest shareholder in the company."

Warmerdam said one factor in Mercadolibre's favor is that Amazon.com Inc. (NASDAQ:AMZN) hasn't been a player in the Latin American market. "Latin America has huge opportunities as more people move online," he added, noting that Mercadolibre has strong brand recognition and dominates "pretty much every market they compete in."

One issue potentially facing Mercadolibre is that the company reports its results in U.S. dollars, Warmerdam said. "The market always has concerns about developing markets and there's always the possibility that Latin American currencies might weaken against the U.S. dollar."

Shares of Mercadolibre closed Wednesday at \$36.39, down 1.4%, in U.S. trading.

### CTrip.com International

CTrip.com International Ltd. (NASDAQ:CTRP), the largest online travel agency in China, is another favorite.

"The Chinese market is huge, of course," Warmerdam said. "In Western economies, about 60% of travel is booked online. In China, it's only 30% right now."

Other items in CTrip's favor, the fund manager said, include that the business has only one other significant competitor, eLong.com, and the fragmented nature of the Chinese hotel market, where many small operators don't have the ability to sell their offerings directly. Warmerdam also says that more than 90% of the travel deals CTrip handles are within China, and most of that is business travel.

Warmerdam said that even with CTrip's dominant place in the Chinese travel market, the company's business is always subject to the cyclical nature of the travel industry, as well as volatility due to the overall Chinese business market.

In Nasdaq trading Wednesday, shares of CTrip.com International rose 4.4% to \$32.80