

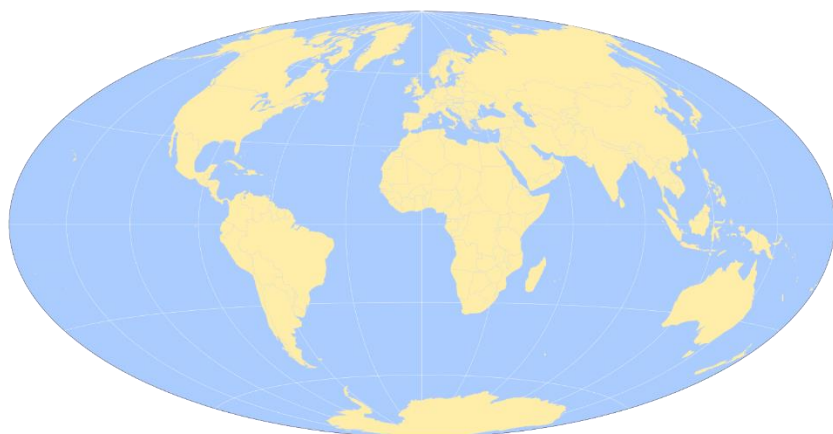
February 2014

A collation of recent insights on markets and economies taken from the comments made by Chairmen and Investment Managers of investment companies – have a read and make your own mind up. Please remember that nothing in this note is designed to encourage you to buy or sell any of the companies mentioned.

Global economy

From RJ Burns, chairman of Mid Wynd

The outlook for this year is far less simple to describe. Self-sustaining healthy growth remains elusive. Falling commodity prices are distributing that growth differently: towards commodity consumers and away from commodity producers. Emerging market currencies are showing these strains. Capital flows are shifting. Developing market consumption is feeding off low interest rates. Overall stocks of debt are still high and inflation remains low which means debt is not (yet) falling in real terms. The effects of extreme monetary policy confuse the picture. Companies are unable to feel solid ground under their feet and invest to boost productivity as would typically be expected at this stage in a cycle. Profits are high, wages low. Wealth gaps are expanding as asset prices have gone up but incomes have not.



From Sir Brian Ivory, CBE, Chairman, Scottish American

Global economic growth has improved but remains below trend and valuation measures suggest stock markets are not lowly rated. This, together with the impact that less supportive monetary policy may have, suggests the outlook for capital returns is modest. However, many companies are very profitable and cash-generative and there is scope for dividend pay-out ratios to rise.

From Simon Davies, Chairman, JP Morgan Overseas

Forecasts for global economic growth are being revised upwards and this should support equity markets in the second half of the Company's financial year, although such growth may eventually lead to some tightening in monetary conditions.

From Jeroen Huysinga, Investment Manager, JP Morgan Overseas

While we are unlikely to see the dramatic outperformance in equity markets that was experienced in 2013, we remain positive in our outlook for equities. The key drivers remain in place, namely improving global growth with quiescent inflation, accommodative monetary policy and still-supportive valuations. However, some new fragilities are emerging, with the resilience of the global economy in the face of rising interest rates a concern.

Fundamentals remain supportive for equities. Valuations are attractive relative to bonds. At worst they are neutral versus their own history, whilst certain parts of Europe and emerging markets look attractive. Looking ahead, corporate earnings growth will be closely watched as a potential driver of further market expansion. There are encouraging signs that earnings expectations seem close to bottoming across regions, although we are not there yet. An environment such as this would typically be positive for more economically sensitive, cyclical areas of the market.

As the macro concerns subside, the emphasis on individual companies' fundamentals relative to their competitors is becoming more prominent.

From Keith Percy, Chairman, Brunner

Although markets have recovered strongly, an environment of moderate growth, contained inflation, low interest rates and accommodative monetary policy should be benign for equities. Government bonds generally remain unattractive due to asymmetrical downside risk from the eventual ending of quantitative easing and potential rise in inflation over the medium term.

From Geoffrey Howard-Spink, Chairman, New Star Investment Trust

This year will be one in which investors assess the success of quantitative easing and whether, after four years of money printing, US economic growth is robust enough to withstand the gradual withdrawal of stimulus. At New Year, confidence was running high as testified by the performance of equity markets. The Fed was able to cite the waning efficacy of continued monetary easing and fears of promoting excessive risk-taking in financial markets as twin justifications for this major policy reversal. In January, markets were in a more volatile phase as investors pondered the impact of tapering on developed market bond yields and emerging market capital flows and slowing Chinese economic growth.

From James Henderson, manager, Law Debenture

Valuations as measured by price/earnings ratios are higher now than they were a year ago as share price rises have outstripped profits growth. However, this is only one measure. Equities on dividend discount models continue to look cheap. The disciplines learnt by companies in the crisis of late 2008, coupled with growing sales, lead to margin growth. Levels of capital spending are being closely monitored with little speculative expansion going on. This means cash generation is very impressive. Corporate debt has fallen and this underpins good dividend growth and means special dividends will become more frequent. It positions companies well for any economic turbulence. This would argue for further upside for equities.

From Ruffer

In Japan, where we have seen some stellar performance in the last 12 months, we still feel there is more to go for. This year will see the implementation of some unpopular and deflationary policies but Abe's New Year message was that there is sufficient dry powder in terms of stimulus within the Bank of Japan and his government to offset this effect. Abe needs to convince the Japanese public that inflation is possible. If this is achieved then there is an incentive for both companies and individuals to spend and invest rather than sit unproductively in cash. It will not be easy to turn around the juggernaut of deflationary expectations but if this is achieved then the prospects for Japan look intensely interesting. An important piece of the puzzle is wage growth. We have already seen increases in bonuses and we will be looking out for base salary rises in the first quarter of 2014.

Deflationary forces remain in the ascendancy in the developed world despite the considerable efforts of central banks with their inflationary policies. The doubters will say that central banks have failed as both reported inflation and break-evens remain subdued at best and on the verge of deflation in the case of Europe. There has been considerable inflation but it has been focussed on asset prices - try telling a cash deposit holder that he has not lost purchasing power in London property or global equities. Our belief remains that central banks will do whatever it takes to avoid deflation and our primary concern is that in their efforts to do so we will see an inflationary overshoot; it may even be politically desirable to do so.

From Tom Bartlam, Chairman, Jupiter Primadona

Equity markets performed strongly in 2013 as most developed economies showed increasing signs of improvement. Following the strong performance, equity valuations do not look as attractive as they were two years ago. In addition, the US Federal Reserve began its process of reducing its quantitative easing and the better-than expected employment data is increasing investors' concerns that the Bank of England may start normalising interest rates sooner than forecast.

As a result, we expect equity markets to see a period of consolidation and in this environment, stock selection will become more important than in the last couple of years to achieve above-market returns as corporate earnings growth will become crucial for performance.

From Richard Curling and Derek Pound, managers, Jupiter Primadona

2013 was something of a bumper year for equity market performance in general. However, if this is to continue into 2014, not only do we need to see further flows of capital into equities from fixed interest securities or, what seems to have been the theme in 2013, from cash, but also we need to see a further progress in corporate earnings. The rally in developed markets from the summer has been driven largely by the expansion of valuation multiples rather than by earnings growth. Investors became happier to pay a higher multiple of current or future expected earnings in order to gain access to the potential for dividend and earnings growth. This pattern cannot go on for ever; we are mindful of a possible de-rating if earnings do not improve. On many metrics, equity markets are not excessively expensive at current levels, but it is important to bear in mind that we are in the midst of a massive monetary experiment, the result of which is uncertain to even the most educated and experienced among us.

There is no doubt that the investment world we live in today is one which is heavily influenced by the actions of central banks. Markets are continuing to worry about how quickly the Fed reverses its policy of providing endless liquidity to the financial system. Does anybody fully comprehend the long-term implications of QE? We suspect not, but we are fairly certain that the Fed's decision to reduce its money printing programme has only happened now they consider that a robust improvement in the US economy is underway. Markets will likely have further headroom, once fears over the speed at which the Fed tapers their liquidity policy fade or corporate earnings pick up sufficiently to justify higher valuations. In either case, inflation needs to remain at a reasonable level, and under control to avoid a much firmer foot on the QE brake.

UK

From John Reeve, Chairman, Temple Bar

Strong equity markets limited the investment opportunities in 2013. It is very possible that, with investor sentiment high, but the future still looking uncertain, 2014 may bring more volatility and hence more opportunity.



From Aberdeen asset Managers as managers of Murray Income

For the market to make further progress it is likely that we will need to see a recovery in earnings as a continuation of the re-rating that we have seen over the past couple of years seems improbable. We believe that earnings do have the potential to recover, given the improving macroeconomic environment, which has been helped by significantly accommodating policies in developed economies. For the UK recovery to be enduring we need to witness real wage growth and a rebalancing of the economy rather than a reliance on the housing market and higher consumer borrowing. Valuations, although not so appealing on an absolute basis, remain attractive relative to

other asset classes. Although a variety of challenges remain, companies are in decent shape and we believe that

those with strong competitive positions, experienced management teams and healthy financial characteristics will be able to continue to deliver attractive returns over the longer term.

From Philip Remnant, Chairman, City of London

Some 70% of UK listed companies' profits are earned overseas and it is likely that the recent trends will continue with improving growth in most major economies. The momentum behind UK economic growth is encouraging but there may be doubts as to its sustainability given the large current account deficit and the rise in sterling which is unhelpful for exporters. Currently, wage growth is low and inflationary pressures are muted, but the point at which the base rate will have to rise has moved closer.

Share prices have risen faster than company profits over the last year and so the valuation of the market is less attractive than it was. However, equities should progress further as profits growth comes through. Moreover, dividend yields remain attractive relative to the alternatives in fixed interest and bank deposit rates and given dividend growth expected by consensus forecasts.

From Andrew Barker, Chairman, JP Morgan Mid Cap.

One should never be complacent in this new economic world as volatility seems to have become the norm and headwinds remain. However, the UK economy is continuing to recover along with many of its global partners and company balance sheets appear to have come out of the economic crisis for the better. In their report, our Investment Managers temper thoughts that the significant returns generated by the Company over the last 18 months can continue, but they are confident that the mid cap investment universe will continue to generate interesting opportunities with upside potential.

From Georgina Brittain and William Meadon, managers, JP Morgan Mid Cap.

The UK economy continues to strengthen at a rapid rate and it is encouraging to hear how upbeat the management of many of our companies are. Company balance sheets are strong and dividend flows remain robust. The stock market has, however, anticipated much of this good news and the valuation of mid cap equities can no longer be described as cheap. Compared to many of the alternatives though, mid cap equities continue to look attractive to us, providing growth potential in both earnings and dividends.

From John Hodson, Chairman, Strategic Equity Capital

The increased interest in equities from institutional and private investors has led to markets re-rating. However, the growth prospects and balance sheets of the portfolio companies appear strong and continue to improve. The global economy appears to be supportive of a period of good earnings growth and corporate managers are more positive. Investor interest in smaller companies continues to grow.

UK Small cap

From Crispin Latymer, Chairman, BlackRock Throgmorton

The pace of UK economic activity appears to have accelerated markedly in recent months, supported by renewed strength in the housing market and improving consumer confidence. Against this, the still high levels of personal and government indebtedness and the - at best very modest - growth in real wages both suggest that any return to a more normal growth trajectory could well take some time.



From Mike Prentis and Richard Plackett, managers BlackRock Throgmorton

Company news flow has been generally good for UK domestically exposed stocks, especially the house builders, the better retailers and leisure and property companies. With the stronger UK GDP growth we expect this to continue. Industrial companies have had to contend with varying demand levels around the world and the strength of sterling. We expect 2014 to be a slightly easier year for most of our industrial holdings. In the UK and the US, interest rates look likely to rise over the next few years, but this will be in reaction to stronger economic growth and

so, arguably, should not be bad for equities. However, in the short term we are seeing greater volatility in markets.

Valuations are beginning to look full for more companies and markets have moved up a long way. We think share prices will be driven more by earnings growth in 2014 and further earnings multiple expansion looks unlikely for many companies. However, we do expect good earnings growth from our holdings and this should be reflected in share prices, although a repeat of 2013's performance is unlikely.

From George Burnett, Chairman, Henderson Opportunities

The recent behaviour of the FTSE All-Share Index at a time when the forecasted growth of the UK economy is being increased is a reminder that there is still volatility in the markets.

From James Henderson and Colin Hughes, managers, Henderson Opportunities

Interest rates will rise in due course and the pace of the economy's growth may not accelerate further over the next couple of years but UK companies in aggregate have low levels of debt. They are in good shape to weather moderate economic storms. Valuations are still appealing and company profits are set to grow, we remain optimistic about the future.

From Donald MacDonald, Chairman, Standard Life UK Smaller Companies

After a very strong period for stock markets over the last two years it is no surprise that they have paused for breath in late January 2014 with some concern over the rate of slowdown in Chinese GDP, currency concerns for some emerging markets with weak current accounts and the start of tapering by the US Government of bond purchases.

From Harry Nimmo, manager, Standard Life UK Smaller Companies

Investor optimism regarding the world economy and the UK and US in particular has reached new highs. The housing market and both business and consumer confidence in the UK are as strong as at any time since 2006. Smaller companies have enjoyed an incredible run over the last five years, moving well above previous highs. It's almost as if the banking crisis had never happened. Consequently, traditional valuation metrics, such as dividend yield, have moved into the 'expensive' category.

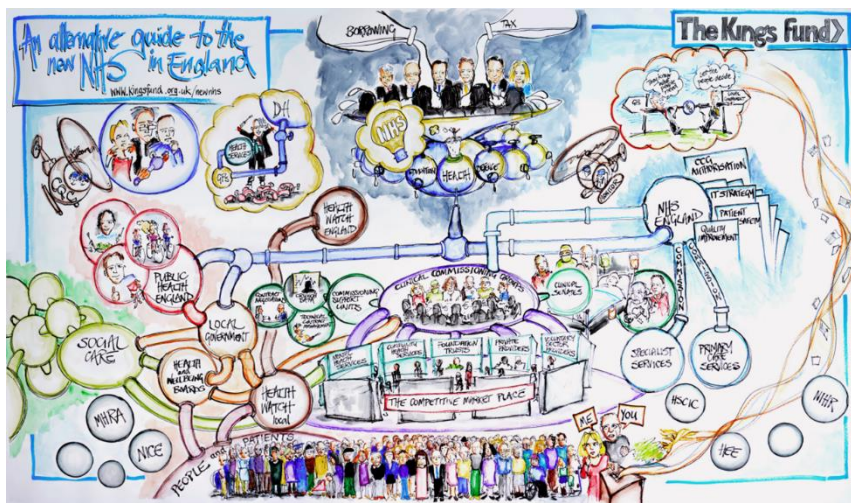
Recently, central bankers in both the UK and US have signalled that the end of ultra-low interest rates may be in sight. In fact, it is possible that we are entering a period of consolidation as investors adjust to this new reality. A market setback may actually be a healthy development to ensure such issues as the extraordinarily high levels of sovereign and consumer debt, the potential for instability in some southern European banks and euro currency volatility are not forgotten. We believe that returns in 2014 are going to be much more modest than 2013 and may only reach the low double-digit level.

As for investment themes, the internet remains key. A 'second wave' of internet-related investment opportunities is now becoming evident as new online leaders emerge in media, food retailing, distribution, leisure and retailing. This theme is generally disruptive and negative for larger companies and good for smaller companies.

UK Health sector

From Graeme Elliot, Chairman, Primary Health Properties

2013 saw the implementation of major changes in the structure of the NHS in England. Clinical Commissioning Groups ("CCGs") replaced Primary Care Trusts ("PCTs") and responsibility for rent reimbursement to GPs moved to the newly formed NHS England. PCT lease liabilities were taken over by NHS Property Services ("NHSPS"), a company wholly owned by the Secretary of State for Health. These changes have delayed the approval of new projects.



The changing demographic backdrop is placing increasing demands on the primary care sector as technological advances provide the opportunity for more services to be delivered from within the community. This reinforces the importance of primary care in delivering health services through General Practitioners with the need for modern purpose built accommodation remaining strong.

Infrastructure

From Helen Mahy, Chairman, The Renewable Infrastructure Group

With new onshore wind and solar PV being important contributors towards meeting EU and national targets for the delivery of new renewables generation capacity and for longer-term decarbonisation, TRIG sees strong deal flow from vendors seeking to recycle their capital by selling assets or portfolios.

Private Equity

From SVG Investment Managers

2014 has started with a modest stock market correction, and particular weakness in emerging markets. Against the background of a gradual tapering of the monetary stimulus provided by the Federal Reserve, and continuing structural issues in the EU, there is a risk of a more severe correction if corporate earnings disappoint or there is a shock to the system. It is likely, however, that central banks will maintain generally accommodative monetary policy in response to any threat to economic recovery, and it is clear that consumer and investor confidence

has been rising as signs of recovery emerge. This recovery remains somewhat fragile, and we remain cognisant that a number of challenges remain in the form of high levels of government debt, anaemic growth, political risks and tight fiscal policy.



During 2013 the environment for private equity continued to improve. Confidence returned to the sector, with rising deal volumes and managers taking advantage of the relatively strong exit environment and buoyant credit markets to return capital to investors. The deal environment remains competitive and whilst pricing in Europe has drifted down slightly and remained relatively stable in the US, receptive credit markets have led to higher levels of leverage in transactions, particularly in the US. Against this background,

our focus is on investing with and alongside general partners who maintain discipline and whose investment approach is focused on business improvement.

Fundraising in 2013 reached its highest level since 2008 with over 19 funds in Europe and the US having final closes above US\$2 billion. A number of high quality European managers are expected to be fundraising towards the end of 2014 and during 2015. However, in the near term we believe the pipeline of US managers is more attractive with a number of high quality managers pursuing attractive and differentiated strategies in the market in 2014.

From Tom Bartlam, Chairman, Pantheon International Participations

The outlook for investing in secondary interests remains good. Despite a slow start in 2013, an estimated \$27.5bn of secondary deals were transacted, an increase on 2012 according to Cogent, an intermediary active in the secondary market. We expect to see a similar level of deal activity in 2014.

2013 saw exit markets flourish. We think the increased M&A trends are sustainable across many sectors and the increasingly active IPO markets can add significantly to the potential for private equity exits.

Property

From Robert Peto, Chairman, GCP Student Living

The demand/supply imbalance in and around London is expected to continue with limited new stock coming on stream and an increasing number of domestic and in particular international students forecast for the forthcoming academic year.

From Hammerson

Financial markets have stabilised over the last year. Growth has returned to some Western economies, in part thanks to continued fiscal stimuli, stock markets have performed strongly and uncertainty over the future of the eurozone has diminished. However, levels of growth remain subdued and the risk of market shocks remains.

Retailers are continuing to ensure that their sales channels remain relevant in the digital age and provide consumers with the flexibility and convenience they require. Real estate remains a cornerstone of their plans.

From Rupert J Mucklow, Chairman, AJ Mucklow

It would appear that we may have reached a turning point in the property cycle during the first half year, with strengthening occupational demand outstripping supply and a growing appetite from Investors, pushing up property values. Economic forecasts are certainly looking better and business confidence is improving.



From Segro

Although the European macro-economic environment is starting to improve, challenges remain for many businesses and the improvement in general occupier demand is likely to be gradual. Nevertheless, the structural changes in retailing towards online sales and convenience shopping are providing a catalyst for a wave of demand for warehouse space from a range of occupiers. These trends, along with the relatively high income yields still available, are also attracting the interest of real estate investors, causing values of both prime and, increasingly, secondary product to rise. These themes are still evolving and we expect

that both occupational demand and investor appetite for such assets should be sustained in the medium term.

From Robert A. Rayne, Chairman, Derwent London

The prospects for London's commercial property market are good, with above average levels of both occupier and investment demand from a wide range of sources. As a result we expect our rental values to rise by around 5% to 7% in 2014 and overall property yields to remain stable, though in some of our markets yields may tighten even further. The strength of our capital city is very apparent, attracting businesses and people from around the world. London is a global leader in a diverse range of high-skill sectors and growth here continues to outpace other parts of the UK as well as nearly all of the rest of Europe.

London office values have been steadily rising for over four years, and with strong occupier demand and the prospects of continued rental growth, yields are now down to levels last seen at the previous peak in 2007. Circumstances today are different: business confidence is improving so the prospects for letting with rising rents are excellent. At the same time, income returns from other asset classes remain constrained which, together with the rental outlook, are stimulating very high investment demand for real estate in the capital.

From Patrick Burgess, Chairman, INTU

It is encouraging to see some signs of recovery, with retailers continuing to address the impact of changing shopping habits on their own business models.

From David Hinde, Chairman, F&C Real Estate

Yields have moved inwards and although prime property remains in favour, there are signs that investors are starting to look more closely at opportunities in the regions and for "good secondary" stock. There is a mood amongst investors to move up the risk curve and that perceived threats identified in some secondary property can now be viewed as opportunities. There is a long tail of secondary or tertiary assets in all sectors which may not have any economic potential for further use, but it is a reasonable assumption that the demand for good secondary property will continue to grow. There is much greater letting activity as the UK economy and sentiment improves, bringing forward the potential for rental growth, the reduction of incentives to tenants and the resultant yield compression.

Europe

From Audley Twiston-Davies, Chairman, TR European

We are confident that European equities should make further progress in 2014, supported by the abundant liquidity provided by central banks. Valuation multiples do look quite stretched though the European smaller companies' space is still down from the highs of 2007. We should also benefit from the shoots of recovery we are starting to witness across Europe.



From Ollie Beckett, Fund Manager, TR European

In 2014 we hope improvements to the economic backdrop lead to an increase in capital investment. Despite generally strong balance sheets most corporates have been doing little more than the bare minimum of investing, which is required for a more sustainable economic recovery. There are glimmers of hope that investment will occur and, if so, many companies in our space could benefit. One positive in the Continental European smaller company space is that there are a number of family owned companies that take a longer-term view of developing the business and have strategically invested over the course of the downturn.

We remain confident that positive returns can be achieved by European smaller companies in 2014. While Europe may only be returning to modest growth with many hurdles to overcome (such as a strong euro, Fed tapering, and European parliamentary elections) we ultimately feel that conditions are improving rather than becoming worse, and on a relative basis valuations are still supportive. After a period of strong share prices we do need to see a return to corporate earnings growth; we do expect this to occur.

Latin America



From Peter Bumell, Chairman, BlackRock Latin American

Whilst it is undeniable that in the past year much of the gloss has come off emerging markets in general, and Latin American markets in particular, the dramatic shift in sentiment has owed as much to investor perceptions about the future path of US monetary policy as to any shortcomings in Latin American companies themselves.

Thus, whilst in most of the developed world (with the exception of Japan) the strong

equity returns achieved were largely the result of multiple expansion (shares becoming more expensive) rather than growth in earnings - in Latin America's largest market, Brazil, the opposite applied - equities became cheaper as earnings (for the most part) continued to rise, and share prices fell.

Although our portfolio manager is optimistic about future economic growth and the positive impact of politically directed reform, particularly in Mexico, it is the current low ratings levels that provide your Board with most comfort about the likelihood of positive returns from current levels.

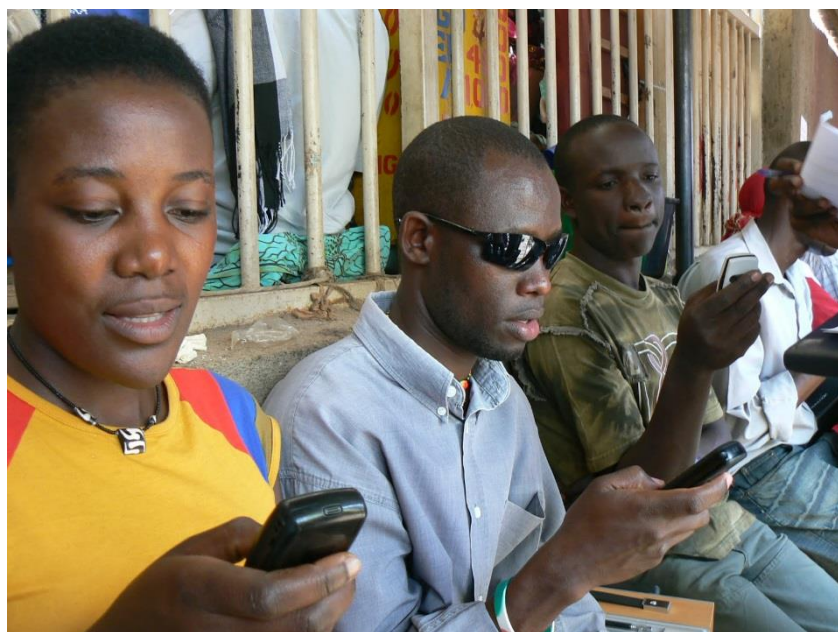
Emerging Markets

From Slim Feriani, manager, Advance Frontier Markets

With frontier markets having outperformed emerging markets by some margin in 2013 the obvious question is whether or not this trend can be sustained in 2014. The broad gains witnessed last year were, in aggregate, driven by increased valuations rather than corporate earnings growth. We believe that valuations are still reasonable but we would expect to see future gains driven by the resumption of earnings growth.

Continued inflows to the asset class were obviously conducive to performance in 2013 and they look set to continue as investors become increasingly aware of the diversification benefits of frontier markets. Anecdotally, this is supported by increasing press coverage and increased interest from long term intuitional investors and consultants.

Fundamentals generally remain sound. The issues of current accounts deficits, weak currencies and over-leverage that proved to be the bane of emerging markets last year are largely absent in frontier markets. The political elections that took place did not significantly disrupt markets. We are resisting complacency though and remain cognizant of the unpredictability of politics in many of our target markets.



From Austin Forey, manager, JP Morgan Emerging Markets

Looking forward, we see continuing headwinds from the recovery of the developed world and the likely eventual increase in interest rates; but it is encouraging that exchange rates are already acting as an adjustment mechanism. Not only is this much less damaging than a system which puts all the stress on adjustment of internal prices in an economy (as was seen in the Asian crisis in 1998, and in Eurozone countries like Greece after the financial crisis); but it also means that stocks are getting cheaper. Low valuations must mitigate a lot of the current pessimism about emerging markets and one thing we know from the past is that the world does not end

when gloom and pessimism are widespread; instead, it offers better value; and currencies will revert to the mean, in real terms, in the long run. While it may be too early to call a definitive upturn in the asset class, we are seeing increasing numbers of interesting opportunities at the stock level.

From Coen Teulings, Chairman, Genesis Emerging Markets

The weakness of emerging market returns has continued in 2014 and the difficulties faced by developing economies and the businesses within them remain significant. These include an increasingly competitive environment as developed market companies continue to seek new business in the emerging world, increased government intervention in certain sectors for political ends and a lack of impetus behind reform measures in many markets. However it is important to realise that there is a positive perspective to this too, in that such an environment will generally widen the difference in business performance between good and bad business -

that is, that higher quality businesses will cope more ably and will come through the short-term challenges with their competitive position enhanced.

From Genesis Asset Managers, LLP as managers of Genesis Emerging Markets

Looking forward, 2014 will see elections in - amongst other countries - three of the BRICS nations with Brazilians, Indians and South Africans all voting for their next governments. In all three, the economies are weaker than would have been hoped for at the previous elections and there is evident dissatisfaction with the ruling politicians. The investment implications are probably higher taxes on businesses and tighter regulation, continuing a trend we have been seeing for some time now. In addition, those companies which have prospered through a cosy relationship with politicians could well find the going tougher.

Technology

From Katy Potts, manager, Herald Investment Trust

We continue to view the sector with enthusiasm and are coming to terms with higher valuations having been spoilt by such low values for several years. At last the market has normalised, there is much better liquidity and the smaller companies in TMT seem to be coming back into favour. Furthermore, there is also a flow of new companies in the UK with a requirement for capital and appealing valuations, and a continuing stream of takeover bids both in the UK and particularly in the US at worthwhile premiums.

Convertibles

From Simon Miller, Chairman, JP Morgan Global Convertibles Income

Last year represented a strong period for convertible issuance, with the more than USD 95 billion issued, comfortably surpassing the totals for 2011 and 2012 (Source: UBS). November was a particularly strong month as companies sought to pre-empt potential increases in interest rates related to the tapering of central bank asset purchase programmes. The period of low interest rates that has followed the Global Financial Crisis has coincided with an increased dominance of the new issuance market by small and mid-capitalisation issuers. Whereas larger corporations have been able to issue non-convertible debt at very low interest rates and have generally considered this preferable to potentially dilutive convertible issuance, smaller companies have often found the straight debt market closed to them. Convertible issuance often remains an option in such cases, since equity exposure to these companies through a convertible can be attractive for investors. An increase in global interest rates could support further increases in convertible issuance, particularly from larger companies, as traditional arguments for convertible issuance relative to straight debt, such as relative interest savings, return to the fore.

Commodities

From the manager of Altus Resource Capital

The Investment Manager remains confident that the fundamentals that have supported a decade of growth for the gold price remain intact today and that the outlook for gold remains positive over the medium term. These factors include the continued currency debasement, low to negative real interest rates and on-going QE



measures by the major central banks, coupled with the increasing demand for gold from the burgeoning middle classes of China and other emerging economies.

With an increased focus on delivering shareholder returns, gold equities that meet their targets are expected to outperform the gold price going forward.

The fundamentals for many other commodities remain robust driven by the continued industrialisation and urbanisation of China and other Brazil Russia, India and China economies coupled with supply side constraints as production diminishes from major mines as new developments are deferred.

From A W Lea, Chairman, BlackRock World Mining

The mining industry has faced many challenges since the start of the decade. However, much progress has now been made in trimming back the unwelcome increase in operating costs taken on in the boom years. In addition, much of the previously planned expansion in capacity has now also been reassessed resulting in cut backs in the light of the harsher operating environment and a need to reset the balance between reinvestment and shareholder returns. It is hoped that the consequence of these actions will result in a marked increase in free cash flow for the companies allowing them to better reward shareholders with increased returns.

From Evy Hambro and Catherine Raw, managers, BlackRock World Mining

Looking into 2014 it is clear that the world economy is now in a better state than it has been during the last few years. The overall macro picture is pointing towards synchronous global growth for the first time in years and with industrial production expanding in most of the world's key commodity-consuming countries the demand picture is supportive at worst. Should demand surprise to the upside, then the enormous supply surpluses that have been forecast to arrive each year for the past two might once again fail to be realised. This would certainly retire the bears into hibernation.

At the mining company level we remain optimistic that management teams will continue to deliver a strategy built around improved capital discipline and increased returns to shareholders. At the moment the sceptics remain convinced that this will not be the case and the sector is largely under-owned by generalist investors. If momentum starts to build on the back of better than expected results and a supportive metal price environment, then this should provide the necessary catalyst for these investors to return to the share registers of mining companies.

From Geoff Burns, Chairman, City Natural Resources

January saw the US Federal Reserve begin the process of "tapering"; not tightening the money supply, but loosening it less quickly. Even this modest start on the path to financial continence was enough to unnerve global equity markets which gave up some of their 2013 gains. Commodity prices were steadier, with the confidence in a US, and indeed global, economic recovery signalled by the Federal Reserve's actions sufficient to quiet any other concerns. The gold price showed flickering signs of strength, perhaps reflecting a fear, shared by us, that the return to "normal" monetary conditions is most unlikely to be smooth, as evidenced by recent market volatility.

That said, and with whatever reservations, the global economy does appear to be in better shape than at any time since 2008. The Chinese economy continues to be of particular interest in the context of commodities, and here the indications are, if still equivocal, more positive than seemed likely a few months ago. The last two years have seen an enormous amount of capacity taken out of the commodity supply chain, and any increase in demand should provide a platform for a recovery in margins from a significantly lower cost base.

From Will Smith and Ian Francis, managers City Natural Resources

After suffering two long years of underperformance, the resource investors can take encouragement from the improvement in the global economy and stabilisation of commodity prices. Combine that with the trough valuations particularly prevalent amongst the small and mid-cap companies that we specialise in and the underweight position of the generalist investor, the prospects for the sector would appear, finally, to be much more constructive.

Qatar

From Nicholas Wilson, Chairman of Qatar Investment Fund

The outlook for the Qatari economy remains excellent with real GDP expected to have risen by 6.5 per cent. in 2013 with a further 6.8 per cent. expected in 2014 (source: Qatar National Bank) largely due to the expansion of the non-hydrocarbon economy. Project spending per capita is also forecast to be the highest in the Gulf Co-operation Council region. Our investment adviser believes that Qatar's near to long-term growth prospects should remain healthy driven by a strong infrastructure pipeline, expansionary fiscal spending, and supportive demographics.

Macau

From Macau Property Opportunities

Macau's economic and demographic fundamentals remain intact and powerful. Major infrastructure and resort projects are expected to raise its profile further and increase the appeal of its property market. Macau's rising profile as an international leisure and tourism destination, alongside increasing affluence in the region, is likely to continue supporting the growth of the city's property market.

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