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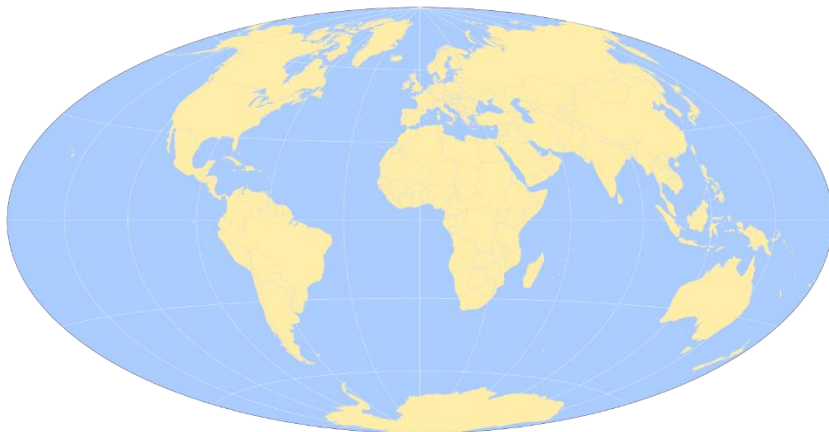
A collation of recent insights on markets and economies taken from the comments made by Chairmen and Investment Managers of investment companies – have a read and make your own mind up. Please remember that nothing in this note is designed to encourage you to buy or sell any of the companies mentioned.

Global economy

From Simon Fraser, Chairman, Foreign & Colonial

Global economic growth is accelerating, inflation is subdued and the major central banks are unlikely to increase interest rates this year. Companies remain in a strong financial position and are becoming more optimistic about future growth prospects. The recovery from the global financial crisis has been long and difficult but it is now becoming well established.

There are still areas of uncertainty including the longer term interest rate outlook and the high levels of government and consumer debt in many countries. After a doubling of many share prices over the last five years we do not expect another doubling in the next five years.



From Lord Rothschild, Chairman, RIT Capital Partners

As the significant amount of capital invested in low or zero yielding assets looks for alternative homes, the demand for equities has not surprisingly been strong, stimulated by central banks who remain concerned and cautious about removing the 'punchbowl'. Inevitably higher valuations imply lower margins of safety and consequently the market's vulnerability to shocks is greater. With the

world recovery still fragile and reliant to a large extent on policy support, it is not hard to envisage markets having to deal with such shocks in the coming year and indeed they were felt during January. Early in 2014 investors have become increasingly concerned on a number of fronts: these include signs of a slow-down in the Chinese economy, emerging market turmoil in response to the timing of the Federal Reserve's tapering, doubts as to whether 'Abenomics' in Japan will succeed, disappointing recent US economic data and the risk of deflation and economic stagnation in Europe. Lastly it is difficult to forecast with conviction the consequences of the massive money printing experiment of the past few years

From Alliance Trust

Looking forward into 2014, we believe that equities remain relatively good value, particularly when compared to other asset classes. Although stock markets can no longer be described as cheap, at a company level we continue to see a range of interesting investment opportunities in well-managed companies with strong balance sheets and sustainable business models.

Our assessment of the global economic backdrop has improved and most commentators agree that global output will expand in 2014. The recent World Bank forecast suggests global economic growth will be 3.2% and it has issued a more favourable outlook for Europe. This backdrop will help underpin investor confidence as well as business investment, which slowed in 2012 and 2013. However, there are risks inherent in the financial system and we are not complacent about the potential consequences that the unwinding of quantitative easing might bring, as witnessed at the start of 2014. Other areas that still cause concern are the

US debt ceiling, "Abenomics" in Japan and the risk of a hard landing in China; none of these should be underestimated.

Despite the prospect of further "tapering", global monetary policy will remain loose and fiscal policy should become less restrictive as economies gather momentum. Unemployment remains an issue in some areas although domestic demand is increasing in others, particularly in the UK, the US and parts of Europe. Productivity needs to rise in 2014 but an increase in business investment and subdued wage inflation will help.

It promises to be a very interesting year. With an improving economic backdrop and the prospect of the US Federal Reserve reducing the amount of stimulus it provides, there could be a negative impact on equity markets across the globe. The Scottish political landscape will also be under close scrutiny culminating in an independence referendum in September.

From Kevin Carter, Chairman, Murray International

At any point in time, the level of share prices is governed by an interplay between economic and company fundamentals, and investor sentiment. Reflecting on the past year, sentiment has played an unusually large role in the relative pricing of currencies and assets in developed and developing countries. This is neither new nor unprecedented in the behavioural science of investment, but it nevertheless presented a tough environment. As central banks attempt to reduce excessive monetary stimulus, steer a path between economic recovery or recession and encourage fiscal prudence, sentiment changes will likely continue to feature prominently. The gap between positive perceptions of the developed world and negative views of developing nations has seldom been as great, even while the reality of long-term fundamentals suggests a very different picture. This will give rise to investment opportunities for those able to practise true global diversification.

From Bruce Stout, manager of Murray International

Hope springs eternal. There is nothing intrinsically wrong with investing in hope. Most decisions regarding the future involve an assessment of the unknown. The key to success requires matching expectations against reality thus minimising the scope for disappointment. In the world of financial investment it is no different. The previous twelve months witnessed an enormous amount of hope being invested in equity markets in expectation that numerous challenges will be conquered. Severely stretched valuations reflect belief that the developed world can successfully wean itself off its chronic dependency on printing money without threatening fragile economic recoveries: that savers continue subsidising the profligacy of governments and irresponsible bank-bailouts; that deflationary pressures abate enabling corporate profit margins to breathe again; and that earnings will be delivered in sufficient quantity to satisfy high expectations currently baked-in to equity prices.

Any rational analysis of current economic conditions would suggest such hopes are very unlikely to be fulfilled. For a world recovering from the worst economic crisis since the Great Depression, progress will be slow. The enormous debt legacy remains deflationary by nature, constraining spending and investment alike. Essential debt reduction required across the board exerts a significant negative influence on growth and profitability. If the challenge twelve months ago was how to preserve capital in an environment of rising bond yields, the focus is now compounded by how to protect capital when earnings expectations remain too high. Protecting margins becomes of prime importance. Unfashionable as it may be, most value is still to be found in developing markets where earnings and dividend growth rates remain realistic.

From Harry Henderson, Chairman, and Andrew Bell, Chief Executive, of Witan

2014 may be the first year since the financial crisis that economic growth exceeds expectations. Alongside improving news on the growth outlook during 2013, there has been greater calm about the handling of issues such as the US budget deficit and tensions in the Eurozone which had caused such volatility in 2011 and 2012. Accordingly, equity investors have been prepared to pay a higher multiple of earnings for shares, perceiving the risks to have reduced.

Fundamental headwinds remain, in the form of pressures on consumer spending, with prices rising faster than wages, and the pressure on governments to rein in budget deficits. In addition, some emerging markets

have encountered adjustment problems from the decline in commodity prices and from fears of a tightening in global liquidity as the US Federal Reserve begins to reduce the monetary stimulus applied to the US economy. The recent relative calm in Europe could yet be disturbed if the European elections in May generate significant support in Euro currency states for parties wishing to leave the Eurozone.

Maintaining the momentum of recovery remains a balancing act. Governments need to take action to address budget deficits and Central Banks to forestall future inflation but neither will wish to damage a recovery which still remains patchy. Although the Authorities have made clear since 2012 that they are committed to promoting economic recovery, without which the foregoing problems become more intractable, policy misjudgements are possible, to which equity markets may prove more vulnerable after the gains of the past two years.

On a more positive note, it appears increasingly possible that the recovery will become self-reinforcing, as companies begin to invest more in future growth and take on more staff. This would make it easier for consumers to maintain spending, while making inroads into their debt, and lead to a cyclical improvement in government finances. Although current inflation expectations are low, this follows several years of subdued growth. Government bond yields have risen from the unprecedentedly low levels of a year ago but remain well below levels viewed as normal prior to the financial crisis. However, it is possible that a year of surprisingly strong growth will rekindle fears that the exceptional money creation in recent years will lead to rising inflation. Bonds remain vulnerable both to a cyclical rise in inflation and changed expectations about where inflationary risks lie for the future.

Investors are demanding a lower risk premium for holding equities, which have shrugged off the rise in bond yields. This rerating of equities is a normal event when economies are improving but, unlike rises driven by increased profits, it is less repeatable. So, investors should look to earnings as the principal driver of returns in 2014. If corporate earnings grow, while interest rates remain low, equities should offer competitive returns, although the need to be selective, to find the areas of superior or underestimated growth, appears greater than before.

UK

From Michael Bunbury, Chairman, JP Morgan Claverhouse

After a set-back in January, markets have recovered. The economic outlook continues to improve in the UK and in the US. There are modest signs of upturns in parts of the Eurozone although the structural deficiencies of the Euro as a currency have not been addressed and a return to crisis cannot be ruled out. Price/earnings ratios of shares have increased significantly over the last five years and equities no longer look outstandingly cheap. Nevertheless the improving economic outlook should enable successful companies to grow their profits and thus provide support for share prices. As always there are many uncertainties ahead including the possible negative effect on asset prices resulting from the tapering of Quantitative Easing, particularly in the United States.

Despite the rise in stock markets, equities continue to provide an income yield and this, together with their historic role as long-term stores of value, should encourage investors to stay with the asset class even if it is difficult to believe that 2014 will prove as fruitful as did 2013.

From Hugh Twiss, Chairman, Henderson High Income

In each of my recent statements I have proved to be over cautious about the outlook. However, remembering that a watch that has stopped is more accurate than a watch which is either running fast or slow, I will stick to the same cautionary theme. We have seen good returns in recent years but they are less likely to continue at a similar rate. That is not to say that we will not have positive returns, but they are likely to be more modest particularly as valuations are no longer cheap and we should be mindful that there could be more turbulence around, as we saw in the opening weeks of this year, and so the 'fasten seat belts' sign is still switched on.



From Alex Crooke, manager, Henderson High Income

The UK economic recovery seems to be gaining momentum and should be underpinned by the Bank of England's desire to keep interest rates at historic lows. However risks remain from either early interest rate hikes or aggressive tapering of respective quantitative easing programmes by central banks around the world. Although this may signal that economies are in sufficient health, given the scale of liquidity to be withdrawn is unprecedented the likely impact is largely unknown. Emerging markets have already weakened on the US Federal Reserve's announced tapering in December and collectively they are becoming a more significant part of global GDP. Caution is needed that market and currency weakness in these countries do not escalate to disrupt the global economic recovery.

Equity markets have now performed strongly in the last two years with valuations reaching their long term average. However equities still represent good value relative to bonds. The prospects for equity dividend growth are good and with momentum in economic

activity, a significant equity exposure relative to bonds remains preferable.

From Rory Macnamara, Chairman, Dunedin Income Growth

After two successive years where equity market performance has substantially exceeded our expectations it may seem somewhat churlish again to sound a note of caution on the outlook, especially given the improvement in economic conditions in the UK and the newfound relative stability that seems to be developing across Europe. However, despite positive macro-economic indicators, earnings conditions in aggregate remain challenging. The strength of sterling is posing translational headwinds to earnings from overseas, while emerging markets are experiencing some significant growing pains and developing some potentially substantial economic and political challenges. This is made all the more pressing now that the US Federal Reserve has begun its unwind, the so called "tapering", of the huge monetary stimulus that it deployed during the financial crisis. The emerging markets have fuelled a great deal of global growth in recent years and it is far from certain that the developed world will fill the resultant demand slack. Meanwhile investors' appetite for risk, judging by the recent acceleration in initial public offerings and the uptick in M&A activity, appears to be increasing. With valuations at reasonably full levels and aggregate earnings struggling to make much headway we believe we should maintain a cautious stance.

Europe

From the managers of Brevan Howard Global

2013 marked a pause in Eurozone Governments' attempts to pursue additional austerity or to address budget deficits. However, as the fundamental fiscal imbalances have not yet been resolved, it is likely that the fiscal stance will become more restrictive in 2014, which may lead prospects for growth to deteriorate in the latter part of the year. Should the current disinflationary pressures in Europe persist, the ECB will have to take more aggressive monetary action.

Japan



From the managers of Brevan Howard Global

Japanese authorities remain determined to reflate the Japanese economy and, even if they eventually fail, will take extraordinary steps in an attempt to achieve this goal. What is possibly different this time is that Prime Minister Abe has a clear mandate to pursue his policies. At the same time, Bank of Japan ("BOJ") Governor Kuroda has accepted the Fed's strategy of influencing real economy outcomes through the transmission mechanism of higher asset prices and the promise of prolonged zero to negative real yields. On that basis, it is unlikely that the BOJ and Japanese policymakers will simply stop at what has been achieved, which is not very much relative to their goals, and just accept

no further progress in terms of economic growth, higher asset prices and higher inflation.

US

From James Ferguson, Chairman, North American Income Trust

The US has seen a recovery. Economic data look positive: the fiscal deficit has narrowed to 3%-4% of GDP from 10% just a few years ago whilst house prices are rising. An increase in growth should provide additional support for stock prices as well as corporate profits, which are expected to grow 5-7% in 2014, up from around 6% last year. The US 'shale revolution' has enabled increasing production of oil and gas and helped to reduce dependence on imported energy, diversifying the economy and providing a fillip to many companies. Another bright spot is the growth in manufacturing, which tends to lead to job creation in other parts of the economy. Despite deep ideological differences, Washington reached an uneasy truce that sidesteps the sort of funding crisis that almost shut down the country last year. Negative impacts from fiscal drag and policy uncertainty are expected to ease. The two-year budget deal agreed by Congress should reduce gridlock on Capitol Hill. In general the market is fairly valued. The S&P 500's price-to-earnings ratio expanded a great deal in 2013 and is back to near historical norms. The market P-E, based on trailing 12-month earnings, has risen to almost 17x from 14x, however, there is still good value to be found.

From Davina Walter, Chairman of JP Morgan US Smaller Companies

After such a strong year for US equities some consolidation is to be expected. However, with US economic activity steadily improving, the background for smaller companies, particularly those with a domestic bias is better than it has been for a number of years. While valuations are more demanding than twelve months ago, longer term growth prospects for smaller companies still look promising.

From the managers of Brevan Howard Global

Now that the Fed has finally started to exit its extraordinary asset purchase programme in the US, we would expect the opportunity set to trade both US rates and the US dollar, to improve markedly. The one way bet on Fed accommodation since 2008 has made trading the US dollar and US rates a frustrating exercise for the last several years. US Federal Reserve policy is no longer a one way bet and the fact that the interest rate curve is as steep as it has been for decades demonstrates the broad range of expectations about future policy. As events unfold, we expect the volatility and trading ranges for both the US dollar and rates to expand

materially, providing opportunities to take advantage of significant two-way moves in price, curve shape and option volatility.

Private Equity

From William Maltby, Chairman, Mithras

As 2013 progressed, investors grew increasingly confident that sustainable, albeit slow, economic recovery had started following the crisis of 2007/8. Most of the economic data published since the beginning of 2014 suggests that the recovery is more broadly based and rapid than had been anticipated. The dual forces of increasing investor confidence in the economic recovery coupled with continued and unprecedented levels of central bank liquidity led to a favourable environment for private equity exits in the second half of 2013. The continuation of favourable market conditions will be crucial to the speed at which realisations are achieved [*in 2014*]. In this context, it was encouraging that the announcement in December 2013 by the US Federal Reserve of plans to commence unwinding stimulus measures did not unnerve markets in the way a similar announcement had in May 2013.



From Roger Mountford, Chairman, Hg Capital

With the UK economy showing strong, if vulnerable, signs of growth, and a possible turning-point in the recession in the eurozone, trading in most of our buyout companies is improving; combined with firm equity markets, this solid progress should be reflected in future valuations and realisations.

From the managers of Hg Capital

As we enter 2014 the improvement in the broader macroeconomic environment has continued and has slowly gathered momentum in Europe, with improved confidence across all business sectors. The recovery in the UK, in particular, has continued to develop strongly and looks to be gathering pace. Despite these positive lead indicators, the European recovery clearly still remains at a relatively tentative stage, following a long period of recession. Given this, we continue to remain suitably cautious.

From Mark Fane, the Chairman of Graphite Enterprise

The environment for new investment, while more challenging than that for realisations, is continuing to offer attractive opportunities for private equity managers who understand their markets and have a clearly defined investment strategy. Prices for new investments invariably rise when the economic outlook improves but as they did not fall as far as many had expected during the downturn, the rise may not be as great in the upturn. Private equity has historically achieved strong returns from investments made in the early stages of a recovery and there is no reason to believe that returns in this recovery will be any different.

From Hamish Mair, manager of F&C Private Equity

The current outlook is the most encouraging for some years. As we have noted often, the private equity investment model has not only survived the recession but has added to returns all the way through. The valuation of mid-market private companies, particularly in Europe, is attractive and our investment partners are finding many good opportunities to invest.

Infrastructure

From International Public Partnerships

Government support for private sector investment in infrastructure continues to feature as a high public priority. Also, secondary market competition is currently at a very high level. In the UK, investment in infrastructure is a significant policy cornerstone for the government as a way to create jobs and improve the economy. The government has set out a wide ranging National Infrastructure Plan with a particular focus on transport and power. Its commitment to infrastructure is also demonstrated through the Green Investment Bank established to help finance large-scale offshore wind and energy-from-waste projects. The UK government is currently procuring the management and creation of a new senior lending fund platform for future school PPP projects. There also continues to be new primary market opportunities in the offshore transmission sector, where licences are granted for the transmission of electricity from offshore wind farms to the national grid.



Currently, Australia's infrastructure priorities include multibillion Australian dollar transport projects such as improvements and developments to highways and rail rebuilding and modernisation.

Northern Europe (including Belgium, Holland, Germany and Scandinavia) continues to offer PPP accommodation opportunities. Ireland also now has an active PPP programme. Elsewhere in Europe, austerity measures and fiscal constraint have limited the capacity of governments to fund infrastructure projects, particularly in southern Europe.

PPP in Canada is still relatively small and dominated by domestic pension funds making entry into new investment opportunities more difficult. In the longer term however, Canada has been actively implementing PPPs at a provincial level and through the country's \$33.0 billion Build Canada plan. Some authorities are also considering sale and leasebacks of infrastructure assets.

The PPP (or P3) market in the United States continues to grow slowly, notwithstanding the additional complexities arising from slightly different procurement processes in the different states. Nevertheless in the medium term the US market does offer potential opportunity.

Property - UK

From Christopher Hill, Chairman, UK Commercial Property

The UK economy is now firmly on the road to recovery with most forecasters suggesting that 2014 GDP growth will be stronger than the majority of the other major western economies. The return to sustainable growth, however, coupled with the quicker than expected reduction in headline unemployment, presents a challenge for the Bank of England, who will have to judge when the economy can handle the withdrawal of the stimulus provided by historically low interest rates and quantitative easing. The managing of expectations from businesses, consumers and financial markets as the UK returns to a more 'normal' monetary policy environment will be crucial to the performance of the UK economy over the medium term.

Improving capital values through yield compression are expected to continue to have a positive influence on total return in the short term. Income, however, remains the key factor driving performance over the longer term.

Property - Japan

From Raymond Apsey, Chairman, Japan Residential Investment Company

Tenant demand continues to strengthen while rising land prices and construction costs are raising the barriers to new supply. Well-positioned multi-family residential properties in the major cities continue to offer an attractive cash stream net of expenses as well as a wide spread over the cost of financing.

From KK Halifax Management, managers of Japan Residential Investment Company

To date, equity capital markets have been the primary beneficiary of the highly stimulative Japanese fiscal and monetary policies. Still, equity capital flows are pushing more funding to real property, resulting in increased demand and supporting upward revision of prices. Inflation is leading a broad range of investors from retail to institutional, to seek higher exposure to risk assets including real estate. The impact on property markets is evidenced by increased transaction volume, falling investment property yields and rising prices across the residential property spectrum from single unit condominiums to multi-family apartment blocks.

Property - China

From Lu Wing Chi, executive director of Asian Growth Properties

The Mainland China property market continues to grow with the 100-cities index recording twenty months growth since June 2012. However, the growth momentum continues to be slowing down in recent months. In Chengdu and Kaifeng, both cities are expected to see modest growth in sales prices over the year and are unlikely to be so affected as the first tier cities where further intervention could be imposed by the Central Government. As cooling measures have resulted in a much reduced number of apartments sold and thus such further intervention may not be foreseen.



In Hong Kong, the property prices of residential properties have declined slightly and there may be a further modest decline in 2014. It is believed that land supply continues to be a problem. The Hong Kong Government's policy does not address the prompt implementation of a comprehensive solution to the housing shortage with insufficient housing stock being produced and an administrative system which seems to have lost its way.

Technology

From the managers of RCM Technology Trust

Equity markets in the developed world have recently done exceedingly well as investors have reacted positively to improving visibility on a number of the economic and political challenges impacting the global economy over the past few years.

The returns in the technology sector have been less spectacular as soft sales in the traditional software, hardware, and IT services segments weighed on some of the largest technology companies. We believe there are two reasons for this: 1) increased scrutiny over capital investment and 2) managements are contemplating their transition to on-demand, "cloud" solutions.



We expect that the threat of the cloud to traditional technology companies could accelerate in the current year amid friendlier macro conditions and high-profile deployments across larger corporate and government customers. Because of the increasingly competitive environment in the cloud, we believe selective investment in established leaders in the space will provide the best potential price returns.

At the same time, we are also looking at certain technology incumbents making compelling progress on their “as-a-service”

offerings as well as components makers, previously thought to be casualties of languishing PC sales, which are finding good demand from the expansion in data centers needed to store data and deliver cloud services. These companies have more reasonable valuations than some of their pure-cloud counterparts and could see significant re-ratings.

Despite the apparent weakness in other areas of the technology sector, consumer Internet companies have done exceptionally well this year as they have taken the first steps to more effectively monetise, especially on mobile. These companies are introducing a whole new way for businesses and advertisers to engage with customers in higher return formats. We believe there is a long runway for this process to unfold and expect this group to generate strong returns over the long-term.

Other growth areas in technology we are positioning for are ancillary beneficiaries of mega-trends like cloud and mobile computing. In particular, we believe companies in the wireless communications and security solutions spaces could do well as companies and carriers build out their networks. Another focus is the transformation of health care through technology in light of the ongoing implementation of the US’s Affordable Care Act. We are keeping a keen eye out for companies providing IT solutions that help consumers personalise and be more informed when it comes to managing their own health.

We acknowledge that risks in the equity markets are still present in the form of uncertainty regarding global monetary policy as well as the potential for stalled policy or economic progress in major economies. Still, we believe that fundamental improvements in the global economy and the growth and momentum of major trends could continue to drive the secular bull market in technology.

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