

Interim Management Statement

30 June 2014

Quarterly Management Review

Utilico Emerging Markets Limited (“UEM”) published its annual report and accounts for the period to 31 March 2014 on 24 June 2014. UEM has published monthly fact sheets on its website: www.uem.bm

Set out below is the interim management statement (“IMS”) for the period from 1 April to 30 June 2014 containing information that covers this period, and up to the date of publication of this IMS.

Background

Global economic growth remained subdued in Q2 2014, although there were signs of improving sentiment in many of the emerging markets. The UK economy continues to grow ahead of other major developed markets and Sterling continued to strengthen in response.

Economic growth in the Eurozone continues to be weak, and the ECB unexpectedly cut its benchmark rate to 0.15% in June and set a rate of negative 0.1% for deposits.

US GDP in Q2 is expected to rebound after a 2.9% q-o-q drop in Q1 2014 which was largely blamed on the harsh winter in the US. The Federal Reserve continues to taper its asset purchase programme, which is expected to conclude before the end of the year. The Federal Reserve expects US interest rates to stay low “for a considerable time” after the asset purchase programme ends.

China’s GDP grew 7.5% in Q2 2014 compared to the same period in 2013. This was up on the growth of 7.4% reported for Q1 2014. China’s PMI surveys turned increasingly positive during the quarter, with the Chinese manufacturing PMI moving to 50.7 in June, from 48.0 in March. The Chinese signed a landmark deal with Russia to supply an additional 38 bcm of natural gas per annum from 2018.

There are great expectations that India’s new Prime Minister Narendra Modi, of the BJP party, can kick-start the Indian economy after several years of stagnation, following his landslide majority election victory in May. His focus on improving the environment for infrastructure investment should result in increased investment opportunities for UEM in India over the coming years.

The economic performance of Brazil remains subdued ahead of the general election in October, with the Brazilian Central Bank cutting its growth forecast for 2014 to 1.6% from 2.0%. The Bovespa Index did however post a positive gain of 5.5% in the quarter and the currency strengthened 2.4% against the US Dollar.

In Thailand, the Thai Army seized power in May in the 13th coup d’etat since the end of absolute monarchy in 1932. Business leaders that we have spoken to generally welcomed the move, indicating that this creates a more stable environment than the preceding months of protests and political stalemate. The Thai SET Index advanced 8.0% during the period.

Indonesia remains challenging, with the currency weakening 6.6% in the period against Sterling, ahead of a relatively tight presidential election in July.

Performance

UEM’s net asset value cum income total return, including the quarterly dividend of 1.525p, was up 4.8% over the three months. This was a good performance relative to the MSCI Emerging Markets Total Return Index (Sterling adjusted) which was up 4.0%.

Currencies remain a headwind to the Sterling denominated NAV. Sterling gained 2.6% against the US Dollar over the period.

Dividends

The final quarterly dividend, in respect of the year ended 31 March 2014, of 1.525p was paid on 6 June 2014 to shareholders on the register at 23 May 2014.

The Board has today declared a first quarter dividend of 1.525p in respect of the year to 31 March 2015, payable on 1 September 2014 to shareholders on the register on 15 August 2014.

Portfolio

UEM's gross assets less current liabilities (excluding debt) at the beginning of the period under review was £433.4m, increasing by £15.1m to £448.5m, at the end of June 2014. Ordinary shareholders' funds increased by £16.3m to £426.5m.

During the quarter, there was little change in the broad geographic exposure of the fund. China (including Hong Kong) remains the largest country of exposure, with its weighting increasing to 33.7% from 32.1% at the end of March. Malaysia remained the second largest country of exposure at the end of June, with a weight of 16.4%, slightly up from 16.3% in March. Brazil remains a close third to Malaysia with 16.1% exposure, up from 15.7% at the end of March.

Nine of the ten largest holdings have remained the same over the three months although there have been changes in the weightings. The re-entry to the top ten was Brazilian toll road operator CCR. This replaces Gasco, which declined by 34.2% during the quarter, due to concerns over possible measures to regulate the gas distribution market in Chile.

China Gas was the best performer in the top ten during the period, with its share price rising 31.6%. The company reported strong results for the year to March 2014, with revenues up 45% and reported net profit up 46%.

APT Satellite was up 26.0% in the quarter, whilst Asiasat's share price fell 1.6% when adjusted for HK\$2.30 of dividends paid during the quarter. The launches of Asiasat's two new satellites, originally both scheduled for the first half of 2014, have been delayed. We now expect the first launch to take place in August, with the second several weeks later.

MyEG advanced 7.1%. The company reported an acceleration in growth in the quarter to March, with revenues up 50.0% on the same period in 2013.

Malaysia Airports opened its new low cost carrier terminal, KLIA2, at Kuala Lumpur International Airport in May. Aircraft using this terminal take off and land at the airport's new third runway. Shares in Malaysia Airports were up 1.8% over the period.

There were also gains for Ocean Wilsons Holdings, which was up 13.3%, including the dividend of 60c paid in the period, and for China Everbright International (6.0%), CCR (3.8%), International Container Terminals (2.5%) and Eastern Water (0.2%)

Bank debt

During the period under review UEM reduced its bank debt from £23.1m to £22.0m. The bank debt was drawn as £10.0m in Sterling and £12.0m in Euros.

Derivatives

UEM holds a modest S&P500 Index put option position which, as at 30 June 2014, had a market value of £1.1m.

Share price

UEM's share price increased from 180.00p at 31 March 2014 to 183.50p at 30 June 2014, an increase of 1.9%. UEM's discount to NAV increased to 8.3% at 30 June 2014 compared to 6.4% at 31 March 2014.

Outlook

The investment outlook continues to remain challenging. Growth prospects for developed markets remain difficult. The relative outperformance of the UK economy has resulted in a strengthening of Sterling, which has impacted UEM's Sterling denominated returns in recent quarters. We would expect Sterling to remain relatively firm in the near term.

On the whole, the companies in UEM's portfolio continue to post strong operational results. We remain positive on UEM's long term prospects given its exposure towards utilities, infrastructure and essential services in growing economies, these investments offer stable and generally inflation protected returns on strategically important infrastructure assets. We believe that UEM's focus on stock selection in its sectors of expertise will continue to work well over the long term.

Capital Structure	30 June 2014	31 March 2014
Gross assets less current liabilities	£448.5m	£433.4m
Bank debt	£22.0m	£23.1m
Shareholders' funds (ordinary shares)	£426.5m	£410.2m
Net debt gearing on gross assets	4.9%	5.5%

Ordinary Shares	30 June 2014	31 March 2014
NAV (cum income)	200.02p	192.38p
Share price	183.50p	180.00p
Discount to undiluted NAV	8.3%	6.4%
Shares in issue	213,243,793	213,243,793

Sector split of investments	30 June 2014	31 March 2014
Ports	19.2%	20.4%
Gas	17.4%	16.9%
Water & waste	11.7%	13.5%
Satellites	8.9%	8.4%
Airports	8.4%	8.4%
Other	7.6%	6.9%
Electricity	7.1%	7.1%
Toll roads	6.8%	6.4%
Other Infrastructure	5.6%	5.6%
Infrastructure Investment Funds	2.5%	2.2%
Telecoms	2.3%	1.9%
Renewables	1.6%	1.5%
Post Office	0.8%	0.7%
Infrastructure IT	0.1%	0.1%
	100.0%	100.0%
Geographical split of investments		
China	33.7%	32.1%
Malaysia	16.4%	16.3%
Brazil	16.1%	15.7%
Philippines	8.0%	9.5%
Other Asia	4.1%	4.2%
Thailand	6.1%	6.9%
Other Latin America	4.6%	5.2%
Europe	4.3%	4.0%
Middle East/Africa	3.8%	3.3%
India	2.9%	2.8%
	100.0%	100.0%

Top 10 holdings as % of gross assets		30 June 2014	31 March 2014
1	Malaysia Airport Holdings Berhad	8.2%	8.4%
2	China Gas Holdings Ltd	8.2%	6.6%
3	International Container Terminal Services, Inc	6.8%	8.5%
4	Ocean Wilsons Holdings Limited	6.6%	6.2%
5	Eastern Water Resources Development and Management PCL	5.5%	6.4%
6	MyEG Services Berhad	5.5%	5.6%
7	APT Satellite Holdings Limited	4.2%	3.4%
8	Asia Satellite Telecommunications Holdings Limited	3.7%	4.3%
9	China Everbright International Limited	3.3%	3.3%
10	Companhia de Concessoes Rodoviaras S A (CCR)	2.4%	-
		54.4%	52.7%

23 July 2014

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