

Utilico Investments Limited Interim Management Statement 31 March 2014

Quarterly Management Review

Utilico Investments Limited (“Utilico”) published its half year report and accounts for the six month period to 31 December 2013 on 20 February 2014 and has published its monthly factsheets on its website: www.utilico.bm

Set out below is the interim management statement (“IMS”) for the period from 1 January to 31 March 2014 containing information that covers this period and up to date of publication of this IMS.

Performance

Over the three months to 31 March 2014, the FTSE All Share Total Return Index was down 0.6%, the S&P 500 (Sterling adjusted) was up 0.6% and the MSCI Emerging Markets Index (Sterling adjusted) was down 1.5%. Utilico’s ordinary share NAV was down 3.4%, after adjusting for the quarterly dividend paid in March 2014 (see below).

Portfolio

Utilico’s gross assets less current liabilities (excluding debt) reduced by £32.3m from £403.5m to £371.2m at the end of March 2014. This was primarily due to the realisation of assets, the proceeds of which were used to reduce debt.

As stated in the interim report and accounts we have discontinued the look through top ten portfolio and commentary due to the accounting amendments but we continue to include the sector and geographical weightings on a look through basis.

The constituents of the top ten at 31 March 2014 remained the same as at 31 December 2013.

Utilico Emerging Markets Limited (“UEM”) remained the largest position in the portfolio. UEM’s NAV declined 0.3% during the quarter (adjusted for its quarterly dividend payment). UEM’s share price declined by 6.3% over the same period, with the discount widening to 8.0%.

Infratil Limited’s shares were down 0.4% during the period. Utilico sold down 25.7% of its holding during the period, realising £19.9m.

Somers Limited’s (“Somers”) share price rose 2.1% during the quarter. The company reported strong results for the quarter to 31 December 2013, with Bermuda Commercial Bank reporting a net income of US\$4.3m for the quarter and Waverton Investment Management Limited (“Waverton”) (formerly J O Hambro Investment Management Limited) posting a net profit of US\$1.9m for the period. Waverton reported a 25.0% increase in Assets under Management at 31 December 2013 compared with a year earlier. Somers increased its holding in Westhouse Securities, holding 93.6% of the shares at the end of February.

Resolute Mining’s shares were volatile during the quarter, ending 6.3% up on the 31 December 2013 price. For the half year to 31 December, Resolute produced 182,405 ounces of gold at an average cash cost of A\$937/oz. The company reiterated guidance for production of 345,000 ounces at a cash cost of A\$890 for the year to 30 June 2014. The company announced a significant increase of 54.0% in ore reserves at its Syama project in Mali to 3.15 million ounces following the completion of an independent pre-feasibility study. This study supports long term gold production until at least 2025 at Syama.



Shares in Zeta Resources (“Zeta”) gained 4.0%. The share price at 31 March 2014 of A\$0.52 was a 28.5% discount to Zeta’s NAV of A\$0.7275. Utilico participated in Zeta’s rights issue in February. Zeta used part of the rights issue proceeds to repay an unlisted loan from Utilico in full.

Renewable Energy Generation’s shares were strong in the quarter, gaining 9.9% to 0.78p. Utilico sold part of its holding into this strength, realising £7.4m.

Market Conditions

Markets had mixed performances during the quarter. In general markets declined sharply during January followed by a strong recovery in February. Markets ended March relatively unchanged on values at the end of February.

Key concerns for investors during the quarter were the continued tapering of the Federal Reserve’s Quantitative Easing programme, ongoing political issues in Eastern Europe with Russia laying claim to the Crimean peninsula and worries over slowing growth and perceived credit bubble in China.

The price of gold advanced 6.9% during the quarter, with a price of US\$1248.01/oz on 31 March 2014. The price of Brent Crude Oil fell 2.7% to US\$107.76 per barrel and the price of copper fell 10.9% to \$302.55/lb.

Sterling continued to strengthen against a number of currencies, including the US Dollar and Euro, but was weaker against the Australian Dollar and New Zealand Dollar. Recoveries were also seen in the Indonesian, Indian, Brazilian and Thai currencies after their steep declines in 2013.

Bank debt

Following realisations, most notably stakes in Infratil and Renewable Energy Generation, bank debt was reduced by £29.2m from £49.0m at 31 December 2013 to £19.8m at the end of the quarter. This was drawn as US\$8m with the balance in Sterling.

Currency hedging

At the end of March 2014, Utilico held currency hedges in New Zealand Dollars, Australian Dollars and Euros. In total, £109.9m of assets were covered by these currency hedges at the end of March.

ZDP shares

Over the 3 months, the traded price of Utilico’s 2014 ZDP shares rose by 2.0% to 165.25p, the 2016 ZDP shares rose by 2.7% to 174.25p and the 2018 ZDP shares rose by 1.7% to 119.00p.

Share price and NAV

Utilico’s NAV declined to 141.91p at 31 March 2013, compared to 148.86p at the end of December. The ordinary share price rose 3.9% to 119.00p, and as a result, the discount narrowed to 16.1% at 31 March 2014.

Management fee

ICM has reduced the management fee to 0.25% from 1 January 2014 until the high watermark is regained.

Dividends

A second quarterly dividend of 1.875p was announced in February and paid on 21 March 2014, making the cumulative dividend paid in respect of the first six months a total of 3.75p.



The Company has declared a dividend of 1.875p per share in respect of the third quarter of the year to 30 June 2014, which will be paid on 13 June 2014 to shareholders on the register on 30 May 2014.

Capital Structure	31 March 2014	31 December 2013
Gross assets less current liabilities	£371.2m	£403.5m
Bank debt and other debt	£20.0m	£49.0m
ZDP shares	£210.5m	£206.9m
Shareholders' funds (ordinary shares)	£140.7m	£147.6m

Ordinary Shares	31 March 2014	31 December 2013
NAV (cum income)	141.91p	148.86p
Share price	119.00p	114.50p
Discount to undiluted NAV	16.1%	23.1%
Annual average compound return (including dividends)	6.7%	7.1%
Shares in issue	99,157,214	99,157,214

ZDP shares at 31 March 2014	2014	2016	2018
Accrued capital entitlement	160.87p	160.87p	116.45p
Share price	165.25p	174.25p	119.00p
(Discount)/premium to NAV	2.7%	8.3%	2.2%
ZDP cover*	3.73x	1.94x	1.37x
Yield to redemption*	2.4%	4.0%	6.7%
ZDP redemption value	167.60p	192.78p	160.52p
Shares in issue	47,500,000	47,500,000	49,842,413
*based on final redemption values	UTLB.L	UTLC.L	UTLD.L

Sector split of investments	31 March 2014	31 December 2013
Renewables	15%	17%
Financial Services	13%	12%
Oil & gas	13%	11%
Gold mining	11%	10%
Other	11%	11%
Infrastructure IT	8%	7%
Water & waste	6%	6%
Ports	6%	6%
Electricity	6%	7%
Airports	5%	5%
Toll roads	4%	4%
Telecoms	2%	4%
	100%	100%
Geographical split of investments		
Asia & Far East	20%	20%
Bermuda	18%	16%
New Zealand	15%	17%
UK and Channel Islands	12%	15%
Gold mining	11%	10%
Australia	10%	9%
Latin America	6%	6%
Europe excluding UK	5%	5%
North America	2%	2%
Middle East / Africa	1%	-
	100%	100%

Top 10 holdings held directly by the Company as % of gross assets	31 March 2014	31 December 2013
1 Utilico Emerging Markets Limited	27.6%	27.4%
2 Infratil Limited	15.5%	18.6%
3 Somers Limited	10.5%	9.5%
4 Resolute Mining Limited	10.5%	8.9%
5 Vix Limited	6.5%	6.1%
6 Zeta Resources Limited	5.9%	4.8%
7 Bermuda First Investment Company Limited	4.0%	3.8%
8 Renewable Energy Generation Limited	3.4%	4.6%
9 Augean plc	2.3%	2.2%
10 RHJ International	1.7%	1.9%
Total top 10	87.9%	87.8%