Utilico Emerging Markets Limited
Interim Management Statement
31 December 2013

Quarterly Management Review

Utilico Emerging Markets Limited ("UEM") published its interim report and accounts for the period to 30 September 2013 on 19 November 2013. 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 October to 31 December 2013 containing information that covers this period, and up to the date of publication of this IMS.

Background

Global economic growth remained subdued in Q4 2013, although there were tentative signs of improvement in the USA. This was despite the political deadlock in Washington D.C. which led to a Federal Government shutdown for part of October. There were also signs of improvement in the UK economy and Sterling strengthened in response.

Economic growth in the Eurozone continues to be weak, and the ECB unexpectedly cut its benchmark rate to 0.25% in November. Youth unemployment, especially in southern Europe, remains a key concern.

Due to the improving economic outlook for the US economy, and in particular for jobs, the Federal Reserve signalled that it would "modestly reduce" its long-term bond purchases following its December meeting. Speculation over when, and by how much, the Fed would start to taper its economic stimulus dominated market sentiment for much of 2013.

This speculation over the ending of QE measures resulted in capital outflows and steep currency declines in many emerging markets during 2013. The trend continued in Q4 2013 and for the quarter, against Sterling, the Brazilian Real fell 7.7%, the Indonesian Rupiah fell 7.0%, the Turkish Lira fell 8.2% and the South African Rand, to which UEM has no exposure, fell 6.7%. After a steep decline earlier in the year, the 1.0% decline for the Indian Rupee in Q4 2013 appeared modest.

There were also significant political events that weighed on markets and currencies. Political instability in Thailand, which has resulted in the calling of a snap election for February, resulted in a 6.9% fall in the Thai Baht against Sterling and a 6.1% fall in Thailand's SET index in the three months to December. The new president in Chile pledged to raise corporate taxes and limit tax deferral mechanisms. During the quarter, the Peso lost 6.3% of its value against Sterling, with the main market index falling by 3.3%.

Chinese GDP growth moderated slightly to 7.7% in Q4 2013, compared to reported annual growth of 7.8% in Q3 2013. The PRC Government continues to underline the importance of sustainable growth, and is curtailing excessive liquidity to prevent overheating in certain areas of the economy. Environmental concerns, particularly air pollution, have increasingly come to the fore, and we expect extensive investment in environmental protection in the coming years. We believe this bodes well for UEM's investments in gas distribution, water and waste treatment and renewable energy.

Performance

UEM's net asset value cum income total return, including the quarterly dividend of 1.525p, was up 3.6% over the three months. This was a good performance relative to the MSCI Emerging Markets Total Return Index (Sterling adjusted) which was down 0.4%.

Currencies remain a headwind to the Sterling denominated NAV. If currencies had remained at the same rates as on 30 September 2013, then UEM's NAV total return for the quarter would have been up 7.4%.

In November, UEM won the Emerging Markets category at the Investment Week's Investment Company of the Year Awards 2013 for the second year running.

Dividends

The second quarterly dividend of 1.525p was paid on 13 December 2013 to shareholders on the register at 29 November 2013.

Portfolio

UEM's gross assets less current liabilities (excluding debt) at the beginning of the period under review was £425.3m, increasing by £26.7m to £452.0m at the end of December 2013. Ordinary shareholders funds increased by £11.2m to £414.8m.

During the quarter, the geographic exposure of the fund towards Asia increased and exposure to Latin America fell, primarily due to the market and currency movements, as well as outperformance of certain larger holdings in Asia. China (including Hong Kong) remains the largest country of exposure, with its weighting increasing to 33.5% from 29.2% at the end of September. Malaysia overtook Brazil to become the second largest country during the quarter.

Nine of the ten largest holdings have remained the same over the three months although there have been changes in the weightings. The new entry to the top ten was China Everbright International, which replaced CCR. China Everbright is a leading company in the Chinese environmental protection market, owning and operating several waste to energy plants and waste water treatment facilities. At the end of December, the company announced a proposal to inject its water assets into HanKore Environmental Tech Group, a Singapore listed Chinese water treatment group, which would result in China Everbright holding a majority stake in HanKore. China Everbright, which has been in UEM's portfolio since 2008, rose 52.3% over the three months to December.

China Gas was another strong performer in the quarter, with its share price rising 35.6%. The company continues to grow strongly. Its interim results for the six months to September, which were released in November, showed revenues up 46.4%, EBITDA up 46.4% and Earning per share up 49.7% compared with the same period in 2012.

There were strong performances from the two Malaysian holdings in the top ten. Malaysia Airports advanced 18.5%, as the new low cost airline terminal at Kuala Lumpur International Airport nears completion. MyEG gained 35.9% during the quarter on potential prospects relating to the introduction of GST in Malaysia in 2015.

APT Satellite was up 15.7% in the quarter, whilst AsiaSat's share price rose a more modest 1.4%. APT announced that it intends to launch a new satellite in late 2015, due to increasing demand for transponders. AsiaSat is due to launch two new satellites in the first half of 2014, which should drive growth in the second half of 2014.

Ocean Wilsons Holdings reported a 9.5% increase in its share price and International Container Terminals posted a 4.4% gain.

Two of the top ten stocks posted share price declines, Eastern Water was down 5.5% and Gasco was down 3.6%, both reflecting the general market weakness in Thailand and Chile respectively.

Bank debt

During the period under review UEM increased its bank debt from £21.7m to £37.2m. The bank debt was drawn as £19.5m, US$22.5m and €5.0m.

The increase in gearing was undertaken to take advantage of long term opportunities presented by weaker markets and weaker currencies.

Derivatives

UEM continues to hold S&P500 Index put options which, as at 31 December 2013 had a market value of £2.5m.

Share price

UEM's share price increased from 173.00p at 30 September 2013 to 189.00p at 31 December 2013, an increase of 9.2%. UEM's discount to NAV reduced to 2.8% at 31 December 2013 compared to 8.8% at 30 September 2013.

Outlook

The investment outlook remains challenging. Growth prospects for developed markets remain fragile, despite recent strong performance in equity markets, particularly in the US. The capital outflows and steep devaluation of many emerging markets' currencies during 2013 is clearly having an impact on inflation, the cost of financing, the availability of capital and business confidence in those countries as well as raising the risk of political instability.

We remain positive on UEM's long term prospects given its exposure towards essential services in growing economies, offering 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	31 December 2013	30 September 2013
Gross assets less current liabilities	£452.0m	£425.3m
Bank debt	£37.2m	£21.7m
Shareholders' funds (ordinary shares)	£414.8m	£403.6m
Net debt gearing on net assets	7.8%	2.9%

Ordinary Shares	31 December 2013	30 September 2013
NAV (cum income)	194.52p	189.28p
Share price	189.00p	173.00p
Discount to undiluted NAV	2.8%	8.6%
Shares in issue	213,243,793	213,243,793

Sector split of investments	31 December 2013	30 September 2013
Ports	21.0%	22.4%
Gas	15.8%	12.7%
Water & waste	14.8%	16.7%
Airports	9.3%	8.8%
Satellites	7.7%	7.3%
Electricity	6.4%	8.3%
Toll roads	6.0%	6.8%
Other	6.0%	5.8%
Other Infrastructure	5.4%	4.6%
Infrastructure Investment Funds	3.5%	2.9%
Renewables	1.9%	1.7%
Telecoms	1.2%	0.9%
Post Office	0.8%	0.9%
Infrastructure IT	0.2%	0.2%
	100.0%	**100.0%**
Geographical split of investments		
China	33.5%	29.2%
Malaysia	17.1%	15.2%
Brazil	16.2%	20.1%
Philippines	8.7%	9.9%
Thailand	6.9%	8.6%
Other Asia	5.4%	4.5%
Other Latin America	4.4%	4.6%
Europe	4.0%	4.0%
Middle East/Africa	3.1%	3.0%
India	0.7%	0.9%
	100.0%	**100.0%**

	Top 10 holdings as % of gross assets	31 December 2013	30 September 2013
1	Malaysia Airport Holdings Berhad	9.1%	8.8%
2	International Container Terminal Services, Inc	7.7%	8.9%
3	Eastern Water Resources Development and Management PCL	6.7%	8.4%
4	China Gas Holdings Ltd	6.0%	4.9%
5	Ocean Wilsons Holdings Limited	5.7%	5.7%
6	MyEG Services Berhad	5.3%	4.6%
7	Asia Satellite Telecommunications Holdings Limited	3.7%	4.1%
8	Gasco SA	3.5%	3.5%
9	China Everbright International Limited	3.1%	-
10	APT Satellite Holdings Limited	3.1%	2.5%
		53.9%	**51.4%**

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