Weekly Investment Bulletin

17th June 2013

MITHRIL
ASSET MANAGEMENT

Market Roundup:

Last week had seen volatility re-enter global stock markets. This week was no different.

Fear crept back into the investor sentiment with concerns on how the Fed with move next with its latest, balance - sheet busting quantitative - easing program. As the week wore on, those fears appeared to ease.

Asian stocks rebounded Friday as eased worries about the Federal Reserve's monetary policy and an improvement in U.S. economic data sparked relief buying across the region, with Japanese and Southeast Asian equities witnessing strong gains.

At Friday's close, the Nikkei Average was 20.4% lower than its peak on May 23, ending for a second straight day in a so-called bear-market. However it had managed to poke its head briefly above that level earlier in the day. A bear market is generally defined as a price decline of 20% or more within a two-month period.

In Europe, markets weakened after data showed the number of people employed in the euro area dropped 0.5% in the first quarter of 2013 compared with the same quarter last year. Employment in Greece fell 2.3%, Portugal dropped 2.2% and Spain and Cyprus both saw a 1.3% drop in employment.

The US was another see-saw affair and the revival of the consumer took a setback late in the week. Consumer confidence in June eased from a six-year high as progress in the labour market supported Americans' views of the economic outlook. A steady uptick in hiring coupled with rising equity prices and property values are underpinning confidence. Further improvement from the 175,000 jobs added last month may be needed to help accelerate the consumer purchases that make up about 70% of the economy.

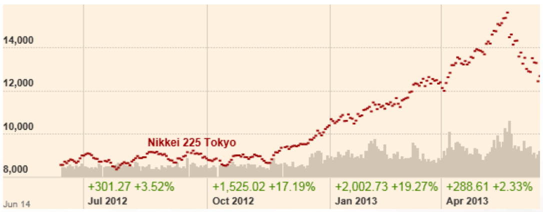
Market Data (12 month):

S&P 500:

FTSE100:

FTSE Eurofirst 300:

Nikkei 225:



Shanghai Composite:

Source: www.ft.com

Registered Office: 3rd Floor, Ebene House 33, Cybercity, Ebene, Mauritius. Licence Number: C108007141. Company Number: 086547 C1/GBL

Weekly Investment Bulletin

17th June 2013

MITHRIL ASSET MANAGEMENT

Liquidity Fears? Turn to Water:

When assessing tomorrow's world, we have talked about food, we have talked about housing, now this week we focus on liquidity, of the more familiar kind.

Indeed liquidity seems to make the world flow. As global financial markets brace themselves for the removal of the most unprecedented, simultaneous acts of liquidity into financial markets, it may pay dividends to the pay attention to the more physical aspect of this concept: water.

Water is big business and whilst the developed world has grown complacent of its constant access to liquidity, those in emerging economies are beginning to show in satiable demand.

Just think back to our feature last week: human numbers greater than the population of the USA are expected to migrate to China's larger cities by 2028. One problem is housing, another is access to sanitation and water.

And that is over and above the 1 billion people already exposed. The demand for safe, clean water in every corner of the world has never been higher.

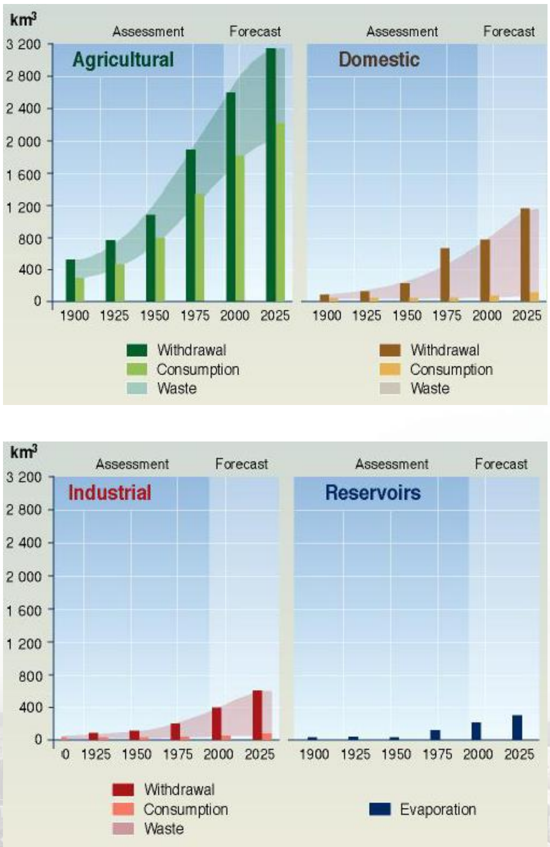
From demand, appears opportunity. Investors are encouraged to catch the value of water and many believe it could be the next great commodity to invest in.

The S&P Global Water Index ([CGW]) outperformed the benchmark S&P 500 index last year rising 21% against the S&P's 16% gain. PowerShares Water Resources fund ([PHO]), the largest ETF in the sector, saw a 23% jump in 2012 as well.

So when we talk with enthusiasm about infrastructure and all aspects on middle class life style improvement, water investing certainly compliments this.

Cumulative Returns of Water Investing:

Evolution of Global Water Use:



Source: Unesco

Registered Office: 3rd Floor, Ebene House 33, Cybercity, Ebene, Mauritius. Licence Number: C108007141. Company Number: 086547 C1/GBL

MITHRIL ASSET MANAGEMENT

Cont:

Clean water supply is under stress. Consider how in 1900, the world's population was only 1.6 billion people. Today that number has grown to about 7 billion and water consumption has swelled by six-fold since 1900.

Already, about 40% of people around the globe don't have access to clean water, including 15% of Latin America. A continent away, two thirds of China faces similar shortages.

The global water industry is currently a $460 billion market. And as the population grows, pollution increases, supplies become more scarce and more strain is placed on water infrastructure, it's no surprise that many have dubbed water "blue gold".

It's easy to see why investors are dubbing it one of the most profitable plays out there. Demand already outstrips supply by a wide margin and the gap is ever increasing.

Perhaps because water is among the most common of commodities, many don't even consider investing in water. With a billion people unable to access clean water today, in the years to come, as governments around the world start spending the hundreds of billions of dollars needed to address these problems, money will flood into water stocks.

Water ETFs and Managed Funds:

- **PowerShares Global Water Portfolio** (NYSEARCA: PIO): This ETF focuses on water treatment companies, but includes stocks in emerging markets as well as the U.S.
- **PowerShares Water Resources** (NYSEARCA: PHO): This fund is based on the Nasdaq OMX U.S. Water Index and covers many sides of investing in water.
- **Guggenheim S&P Global Water Index** (NYSEARCA: CGW): As its name suggests, this ETF tracks the Standard & Poor's Global Water Index.
- **First Trust ISE Water Index Fund** (NYSEARCA: FIW): This fund is based on an index made up of 36 stocks that derive a significant portion of their business from the potable and wastewater industries.
- **Pictet Water Fund** (NYSEARCA: FIW): This fund seeks capital growth by investing at least two-thirds of its total assets in the shares of companies operating in the water and air sector worldwide.

Registered Office: 3rd Floor, Ebene House 33, Cybercity, Ebene, Mauritius. Licence Number: C108007141. Company Number: 086547 C1/GBL

Weekly Investment Bulletin

17th June 2013

MITHRIL
ASSET MANAGEMENT

Currencies:

EURUSD

EURUSD maintained resistance above 1.3242 but came under pressure later in the week as poor jobs data filtered in. We would expect there to be further pressure but resistance should be maintained, targeting 1.35000 next.

EURGBP

EURGBP's outlook remains unchanged. On the upside above 0.8598 will target 0.8636 resistance. A break of the latter will turn the outlook bullish.

GBPUSD

GBPUSD remained above 1.5605 resistance suggesting that uptrend from 1.4831 is continuing. We expect this to continue and 1.5900 still the next target.

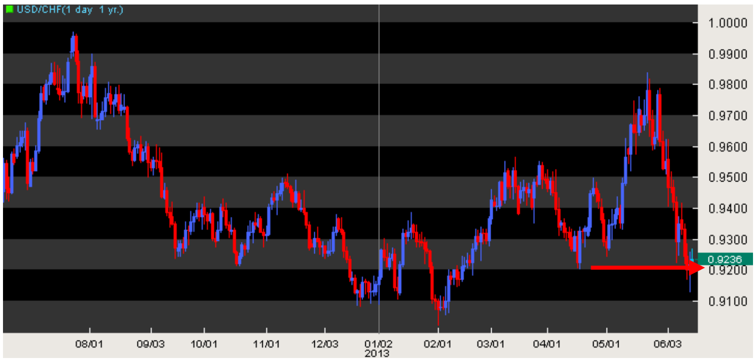
Registered Office: 3rd Floor, Ebene House 33, Cybercity, Ebene, Mauritius. Licence Number: C108007141. Company Number: 086547 C1/GBL

Weekly Investment Bulletin

17th June 2013

MITHRIL
ASSET MANAGEMENT

USDCHF



USDCHF dropped below 0.9206 support but quickly regain above the level. The trend still remains downward with 0.9000 in sight.

USDJPY

USDJPY continued its downward trend with uptrend from 77.14 having completed. Further decline is very much likely and the next target is at 93.00.

USD Weighted Index

The U.S. dollar index hit its lowest level since mid-February. The dollar underperformance could be related to the upcoming FOMC meeting next week. With market sentiment wavering and with both the ECB and the BoJ refusing to take measures to contain volatility, investors may be betting on more dovish Fed next Wednesday to try to dial down its tapering rhetoric.

Weekly Investment Bulletin

17th June 2013

MITHRIL
ASSET MANAGEMENT

Gold:

Gold prices dropped on Thursday despite the dollar's decline in session marked by uncertainty over the fate of U.S. monetary policy.

Gold and the dollar tend to trade inversely with one another, though investors avoided both assets and opted to ride out uncertainty in the yen until the Federal Reserve signals when it may scale back monetary stimulus programs.

Crude:

Crude oil futures were lower on later on last week, as investors sold the commodity after the World Bank cut its estimate for global economic growth for this year. For next year, the World Bank said it expects 3% growth worldwide, compared to its January forecast for growth of 3.1%.

It also lowered its projection for China's economic growth to 7.7% from 8.4% and said the euro zone's gross domestic product will fall 0.6%.

Summary:

This week's meeting of the US Federal Reserve Board's open market committee is shaping up as an important moment for global financial markets.

The Fed isn't actually expected to do anything momentous at the meeting next Tuesday but the language of the statement the committee issues after its deliberations is going to be pored over for even the slightest indication that the beginning of the end of its quantitative easing program is drawing nearer.

There is, with hindsight, little doubt that it was testimony given by Ben Bernanke to congress last month that sparked the enormous volatility in financial markets in the past three weeks. There is a growing sense that the Fed's bond-buying has served its purpose and, indeed, that it is having little impact on the US economy, which has been growing modestly.

MITHRIL ASSET MANAGEMENT

WARNING: Investing involves risk. The information provided by Mithril Asset Management in this newsletter is for general information only, which means it does not take into account your investment objectives, financial situation or needs. You should therefore consider whether the advice is appropriate to your investment objectives, financial situation and needs before acting upon it, seeking advice from a financial adviser or stockbroker if necessary.