

TERRA PARTNERS ASSET MANAGEMENT LIMITED

Portomaso Tower Suite 8/5A

St. Julian's Malta STJ4011

Telephone +356-2371-7000

Regulated by Malta Financial Services Authority, Reg. No. C56353

May 7,
2014**Investment Manager's Update to Shareholders regarding
First Quarter 2014 Activities of Terra Capital plc. ("TCA")**

*The opinions expressed in this update represent the views of the Investment Manager (Terra Partners Asset Management or "Terra") at the time of its preparation. All reasonable precautions have been taken to ensure the accuracy of the information utilized and relied upon in preparing this update and which are provided herein, and Terra believes this information to be reliable; however no representation or warranty as to the accuracy of the information contained in this report is made or is to be implied. The information reported herein does not represent all of the information Terra had available, or which it relied upon, when making its initial and continuing investment decisions and therefore this update will necessarily be incomplete and/or condensed. Terra reserves the right to amend this report and its opinions at any time. Please note that investments in Emerging and Frontier markets usually suffer from liquidity problems, and are often affected by governmental interference in the free market, local politics and vagaries in commodity prices; therefore, their prices can be very volatile. This means that it can be difficult to acquire and subsequently sell the shares noted in this, and prior, updates. This report is for information purposes only, and is not intended as an offer or solicitation with respect to the purchase or sale of any security or investment vehicle. All offers or solicitations are on the public market of the AIM Section of the London Stock Exchange and occur solely by reference to the information contained in the document titled "Tender Offer to Purchase Ordinary Shares at the Tender Price and Restructuring and Amendment to the Directors' Incentive Plan and Change of name to Terra Capital PLC and Notice of Extraordinary General Meeting" (the "Circular") accessible on the Fund's website www.terracapitalplc.com in the "Investor Center" tab under the **Documents and Announcements** section of the file "AIM Rule 26". This website contains important information which may supplement, modify or differ from the information contained herein and no prospective investment decision should be considered before careful reading of the documentation found on the Fund's website. All current and prospective investors should be aware that **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.***

Terra Capital plc. (the "Fund") 1st Quarter Return & Portfolio

The Fund's NAV rose to 0.9663 as of March 31, 2014 from 0.9563 as of December 31, 2013 (and 98.6 as of April 30). A dividend of \$0.0335 was distributed during the quarter, resulting

in a net total return of 4.55% for the quarter, and bringing the 12-month return to 13.41%. The Fund's equity exposure increased to 70.01% at quarter end from 61.53% at the end of the 4th quarter.

SUMMARY OF EXPOSURE

Europe

Europe remained the largest regional exposure representing 22.55% of the Fund's total exposure, down slightly from the previous report mainly due to the sale of Ciments Francais following the buyout offer from its majority shareholder Italcementi. Other minor changes in the Fund's European holdings included an increase in Greece's Eurobank Properties due to a rights offering, an increase in Macedonia's KMB, and a continued trimming of the U-Blox position as it continued to rise.

Asia

The allocation to Asia increased sharply to 21.36% at quarter end from 16.80% at the end of 2013 due mainly to an increase in Bangladesh's Brac Bank through a rights offering, adding to China's Qingling Motors (Hong Kong-listed), and the initiation of several new positions in Korea.

Middle East

The allocation to the Middle East rose to 14% from 10.21% on increases to Lebanon's Blom Bank and Bahrain's SEEF Properties. Additional positions were also initiated in Qatar and Bahrain.

Africa

Africa's allocation rose to just over 6.84 % as the Fund added to Onatel in Burkina Faso and Kenya's Housing Finance, while the Fund's holding in Kenya's Equity Bank was reduced by 46%. Additionally, two new positions in Tunisia were initiated.

Americas

The Americas allocation reached 5.26% as the Fund continued to add to National Commercial Bank of Jamaica and Scotia Group Jamaica.

PURCHASES

The Fund continued to deploy additional capital into 11 current positions and initiated investments in 6 new positions (please refer to accompanying table on following page). As 5 of the 6 new positions are still being actively traded by the Fund, the investment case for only the one company in which trading is complete will be presented below.

Bahrain Commercial Facilities

Bahrain Commercial (BCFC) operates in 4 segments of the Bahraini economy: consumer finance, auto dealerships (National Motor Company), real estate (Tas'Heelat Real Estate Services Company), and insurance (Tas'Heelat Insurance Services Company). The Consumer Finance segment provides loans, mortgages, and credit card facilities; the automotive segment engages in the sale of motor vehicles and maintenance; the real estate segment involves the buying and selling of land and properties, evaluation services, and renting properties; and, the insurance segment is engaged in motor, home, life and travel insurance.

Investment Rationale: BCFC is currently trading at 8.6x earnings and 1.2x book. The company has a very conservative balance sheet with only 1.5x equity of leverage and NPLs of only 2.6%. Despite the low leverage levels, the company still generates an ROE over 14% and managed 6% earnings growth in 2013. The stock yields almost 6% at March 31's closing price and its loan book is well collateralized as it is largely focused on the automotive sector. Our expectations are that this is a very low volatility stock that is well-positioned to capitalize on the post-Arab Spring growth returning to Bahrain. This should allow it to deliver a mid-teens total return while at the same time materially diversifying the Fund's overall portfolio.

Potential Risks: The Bahraini economy is still subject to shocks from political unrest resulting from the sectarian tension between the minority Sunni Arabs who rule the country and the majority Shia who are largely ethnic Persians. Over 60% of the company's profits come from the sale of, or lending on, vehicles so any significant decline in automotive sales in the Kingdom would directly impact the company's growth, loan book quality and profitability.

Sales

Terra liquidated 1 position and sold a portion of 3 others. The liquidated position was Ciments Francais which had reached the proposed buyout price offered by its majority shareholder. The Fund trimmed its holdings in U-Blox (23% sold) on continued gains in the stock and elevating valuations. The Fund reduced its position in Kenya's Equity Bank (46% sold) on concerns that margin pressure will continue in the Kenyan banking sector and that regional expansion is projected to assume ever increasing importance in the bank's expansion strategy, despite clear execution missteps in past efforts. Finally, the Fund sold off a small portion of its holdings in Brac Bank (1.4% sold) following the rights offering.

SIGNIFICANT EVENTS IN CURRENT POSITIONS

Ciments Francais: The company's majority shareholder, Italcementi, offered to buy out the remaining minority shareholders at a price of 78 euros, resulting in a 42% price appreciation on the quarter. The Fund liquidated its shares near 78 euros a share rather than wait for the takeover to be completed due to concerns about the amount of time it could take for a final payout.

Kernel: Although Kernel Trades on the Warsaw Stock Exchange, its operations are in Ukraine (though not Crimea) and Russia, and its share price was duly impacted by the events in March. Additionally, the company's 2013 earnings failed to improve as we projected, or even register a positive result, further depressing the share price.

Eurobank Properties: Eurobank executed the previously announced rights offering that effectively delivered control of the company to Canada's Fairfax Holdings.

Onatel: The company announced 2013 earnings that were 67% higher than 2012's, and a proposed dividend that would equate to a 14.9% dividend yield as of March 31's closing price.

CURRENT PORTFOLIO AS OF MARCH 31, 2014

Region	Country	Security	Shares	Market value	% of Fund	Change in Share Holdings	Price Return (local currency)	Total Return (local currency)	
Europe	Hungary	Any Security Printing Co.Plc (AlamiNyomda)	553,679	2,007,288	3.04%	No Change	37.82%	37.82%	
	Greece	Eurobank Properties	109,590	1,373,838	2.08%	Increase	12.62%	12.62%	
	Serbia	Galenika-Fitofarmacija DP	41,372	1,332,215	2.02%	No Change	-8.81%	-8.81%	
	Germany	Vib Vermoegen O.N	74,979	1,316,961	1.99%	No Change	9.35%	9.35%	
	Switzerland	U-Blox AG	9,114	1,250,780	1.89%	Decrease	26.26%	26.26%	
	Montenegro	Crnogorski Telekom a.d.	222,624	1,213,958	1.84%	No Change	-5.76%	2.81%	
	Portugal	Portucell	259,423	1,180,430	1.79%	No Change	13.51%	13.51%	
	Macedonia	Komercijalna Banka AD Skopje	28,845	1,096,204	1.66%	Increase	-5.03%	-5.03%	
	Croatia	Hrvatski Telekom DD	36,228	1,076,061	1.63%	No Change	-6.80%	-6.80%	
	France	Ste de la Tour Eiffel	13,450	922,916	1.40%	No Change	2.55%	2.55%	
	Russia	JSC ACRON S GDR	308,792	910,936	1.38%	No Change	-6.65%	-6.65%	
	Estonia	Silvano Fashion Group AS	267,000	783,455	1.19%	No Change	-20.22%	-20.22%	
	Ukraine	Kernel Holding SA	45,558	440,838	0.67%	No Change	-23.14%	-23.14%	
	France	Ciments Francais	0	0	0.00%	Liquidated	40.84%	40.84%	
					14,905,880	22.55%			
	Asia	Australia	Ardent Leisure Group	807,977	1,872,992	2.83%	No Change	24.38%	24.38%
Bangladesh		Square Pharma	486,752	1,674,778	2.53%	No Change	40.38%	40.38%	
Georgia		Bank of Georgia Holdings Plc	38,300	1,591,922	2.41%	No Change	4.09%	4.09%	
Vietnam		Imexpharm Pharmaceutical JSC.	534,772	1,584,190	2.40%	No Change	67.56%	67.56%	
Korea		Hyundai Motor Co. Ltd. - PFD	9,760	1,246,699	1.89%	No Change	8.80%	10.40%	
Bangladesh		Brac Bank Ltd	3,842,039	1,203,113	1.82%	Increase	-8.73%	-6.75%	
Korea		Daelim Industrial Co. Ltd.- PFD	33,290	1,052,135	1.59%	No Change	10.33%	10.33%	
China		Qingling Motors	3,428,000	1,043,013	1.58%	Increase	1.72%	1.72%	
Korea		Kumho Petro Chemical Co - PFD	28,940	910,576	1.38%	No Change	-3.60%	0.86%	
Vietnam		Hung Vuong Corporation	721,500	895,976	1.36%	No Change	6.94%	6.94%	
Korea		Lotte Chilsung Beverage Co	250	350,333	0.53%	New	-0.72%	-0.72%	
Vietnam		Hau Giang Pharmaceutical JSC.	41,890	275,984	0.42%	No Change	21.93%	21.93%	
Korea		Shinyoung Securities LTD	6,670	250,900	0.38%	New	-1.87%	-1.87%	
Bangladesh		Heidelberg Cement Ltd	30,850	167,727	0.25%	Increase	10.82%	10.82%	
				14,120,338	21.36%				
Middle East		Qatar	Al Khaliji Bank	273,078	1,642,405	2.48%	No Change	9.55%	9.55%
	Oman	Oman Cement	720,950	1,498,253	2.27%	No Change	-1.96%	2.33%	
	Qatar	Masraf Al Rayan	135,000	1,471,885	2.23%	No Change	26.84%	31.63%	
	Lebanon	Blom Bank GDS ord B shs	128,423	1,181,492	1.79%	Increase	6.36%	6.36%	
	Oman	Oman Refreshment	175,000	1,136,496	1.72%	No Change	-3.85%	0.00%	
	Qatar	Gulf Warehousing Company	66,000	752,214	1.14%	New	-0.69%	-0.69%	
	Lebanon	Solidere - GDRs	56,485	731,481	1.11%	No Change	18.81%	18.81%	
	Bahrain	SEEF Properties b.s.c.	968,897	470,313	0.71%	Increase	14.38%	20.63%	
	Bahrain	Bahrain Commercial Facilities Company	200,000	368,700	0.56%	New	1.31%	7.14%	
					9,253,240	14.00%			
Africa	Kenya	Housing Finance Kenya	4,309,900	1,720,967	2.60%	Increase	9.52%	9.52%	
	Burkina Faso	Onatel BF	111,815	1,615,668	2.44%	Increase	12.79%	12.79%	
	Kenya	Equity Bank Ltd	2,011,000	738,996	1.12%	Decrease	3.25%	8.13%	
	Tunis	Tunisie Leasing	24,110	327,228	0.50%	New	-1.47%	-1.47%	
	Tunis	Automobile reseau tunisien et services	24,362	120,124	0.18%	New	0.39%	0.39%	
				4,522,982	6.84%				
Americas	Argentina	IRSA Inversiones y represent. SA GDR RCTP	145,630	1,540,765	2.33%	No Change	-12.63%	-12.63%	
	Jamaica	Scotia Group Jamaica	5,429,031	1,051,232	1.59%	Increase	5.05%	7.05%	
	Jamaica	National Commercial Bank Jamaica	5,431,719	883,552	1.34%	Increase	-1.94%	-0.17%	
				3,475,550	5.26%				
Total Equity Holdings				46,277,990	70.01%				
Cash				19,762,508	29.90%				
Hedging				65,200	0.10%				
			XDE Put June 2014 @ 1.37	400	56,000	Increase	-47.17%		
			XDE Put June 2014 @ 1.38	50	9,200	No Change	-40.65%		
Total Fund				66,105,698					

RESPECTFULLY SUBMITTED BY: Terra Partners Asset Management Limited

Portomaso Tower Suite 8/5A,

St. Julian's Malta STJ4011

Regulated by Malta Financial Services Authority, Reg No. C56353

Contact: Galileo Fund Services Limited (Administrator)

Ian Dungate or David Parnell

+44 1624 692600

Panmure Gordon (Nominated adviser and corporate broker)

Paul Fincham or Jonathan Becher

+44 20 7886 2500

Terra Capital plc. Howard Golden or Filip Montfort +356-2371-7000