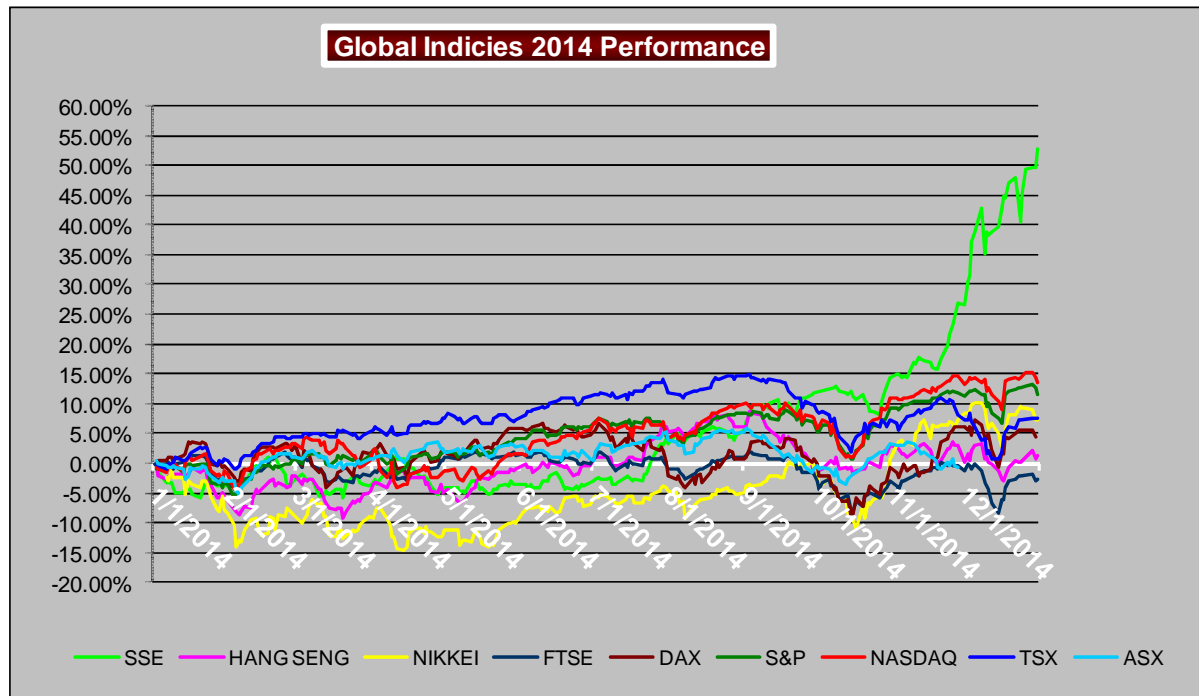


GDB January 2015 Newsletter

Monthly Market Summary:

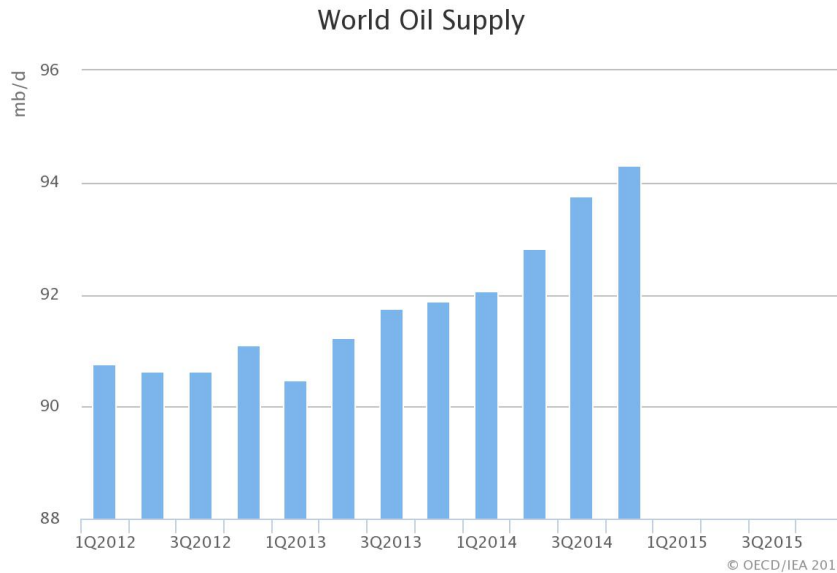
2014 December Market Activity		
SSE COMPOSITE	3,234.68	+551.85 (+20.57%)
HANG SENG	23,605.04	-328.41 (-1.59%)
NIKKEI 225	17,450.77	-9.08 (-0.05%)
FTSE 100	6,566.10	-156.50 (-2.33%)
DAX	9,805.55	-175.30 (-1.76%)
DOW	17,823.07	-5.17 (-0.03%)
S&P 500	2,058.90	-8.66 (-0.42%)
NASDAQ COMPOSITE	4,736.05	-55.58 (-1.16%)
ASX 200	5,411.00	+98.00 (+1.84%)
TSX COMPOSITE	14,632.40	-112.30 (-0.76%)



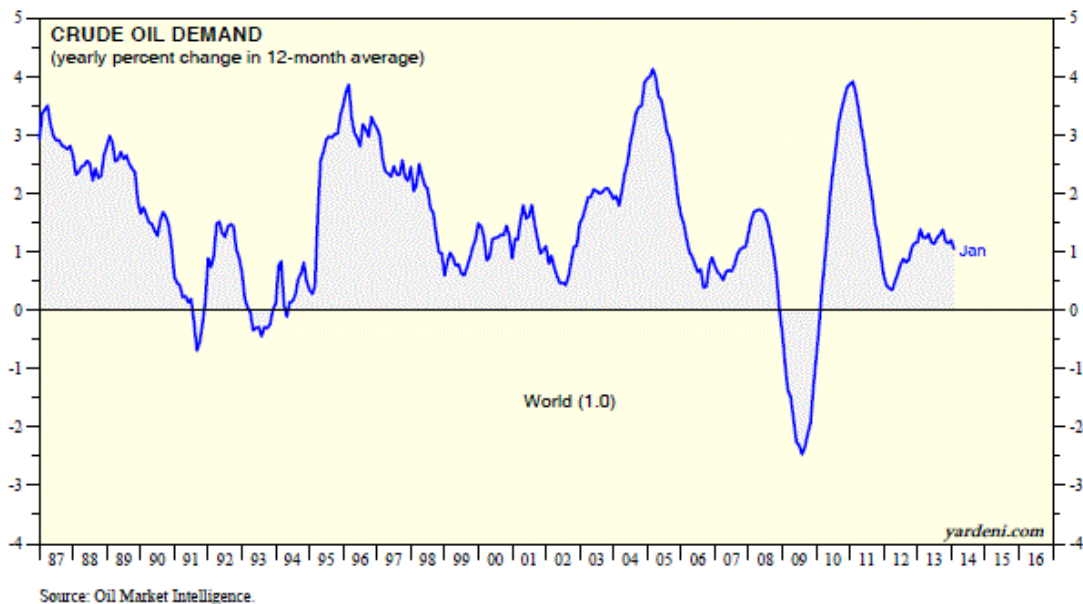
Investment Themes:

The precipitous slide in the price of crude oil has been taking over headlines over the last couple of months. OPEC had signaled in their last meeting in November that they would not cut production to defend prices. This in turn, has fueled the most dramatic decline in oil prices since the 2008 financial crisis. Benchmark oil prices have plunged more than 50% from the peak in June with both the US WTI and North Sea Brent trading below \$50 a barrel.

Market participants are pointing to the global supply glut and demand weakness as factors contributing to the collapse in oil. According to the International Energy Agency, the world oil supply has been rising steadily. The US oil production is at 25-year high, thanks largely to its domestic shale boom. OPEC is continuing to pump at north of 30 million barrels a day, slightly over their quota, as Iraqi supply surged to 35-year high. The Russians are also producing a rate not seen since the Soviet era. In sum, the market is sufficiently if not slightly over supplied at the moment.



Then, there is the concern of macroeconomic weaknesses restricting global demand growth. From deflationary environments in Japan and Europe, to the possibility of a sub 7% Chinese GDP growth, demand outlook for oil is being pared back as these propellers of global economy requires less oil as their economies slow.



In our opinion, the current supply and demand imbalance is not sustainable, and below \$50 oil presents a great buying opportunity over the long-term. Oil is a strategic asset to many nations. Especially for emerging power such as China as it rises to attain global presence. The need for undisrupted oil supply becomes ever more crucial for its national security. So at the current price, China would be foolish not to capitalize on the low price environment to stockpile oil strategically.

Recent developments are signaling this is indeed what China is doing, even though its actual consumption growth is expected to taper:

- China made its first official announcement about the country's strategic petroleum reserve (SPR) in November 2013, saying the first phase of the government emergency stockpile is storing about 91 million barrels of crude oil, or 9 days of consumption
- The first phase was fully filled in early 2009 as China took advantage of a steep fall in oil price amid the financial crisis, similar to the current environment
- China currently holds reserve equivalent to 30 days of imports. It plans to boost reserve to 100 days of imports, or equivalent to approximately 600 million barrels

- The second and third phases of China's SPR are currently in construction. This would add additional 200 million barrels of capacity
- China's crude imports touched record or near-record levels in several months last year, despite a slowing economy and weak oil demand growth. Imports have particularly picked up since September, largely fuelled by oil from the Middle East
- The number of supertankers sailing to China jumped to a record in December

All these observations are pointing to China, regardless whether its economy is slowing or not, is using this low pricing opportunity to stockpile oil. We think this will provide medium term support to the slide in the prices of oil.

And what about other nations? Of course they are not going to sit idle while China buys up oil on sale. The US currently holds 610 million barrels in reserve, which is 30.5 days worth of supply given the current consumption rate. As China increases its reserve, US may feel the pressure to increase its own reserve capacity. India, Pakistan, and many other emerging countries are all joining the game to grow their strategic reserves.

Therefore, we think oil at its current level, presents a great investment opportunity for the long-term investors.