

## NANOTECHNOLOGY

### Nanotechnology Index 2Q14 and 1H14 Review

CNID and CNIP Advanced 13.17% and 13.26% Respectively in 1H14, Surpassing the Performance of some Major Indices

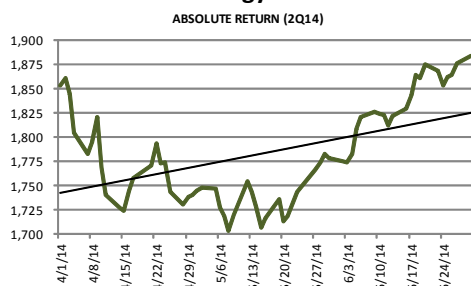
#### KEY POINTS:

- **CEDRUS NANOTECHNOLOGY INDICES:** With an increase of 13.17% and 13.26% respectively in 1H14, Cedrus Nanotechnology Index – Diversified (CNID) and Cedrus Nanotechnology Index – Pure (CNIP) outperformed once again significantly several major indices like S&P 500 (+6.05%), NASDAQ Composite (+5.54%), MSCI World (+4.96%), Hang Seng (-0.5%), Shanghai Composite (-3.2%), Nikkei 225 (-6.93%) and DAX (+2.94%). For 2Q14, the respective gains of 3.04% and 1.81% by CNID and CNIP were ahead of the roughly 0.5-7% decline by Hang Seng, Shanghai Composite and Nikkei 225 but trailing the 3-6% growth achieved by other indices mentioned above.

Due to the strong run in 2Q among many of the major equity indices, particularly those in the U.S. which made repeated new highs during the quarter, the global equity markets in general are poised for a correction due to profit taking, less-than-perfect earnings reports, possible heightened geopolitical risks in the Middle East and Ukraine as well as distress in the financial market like the financial hardship endured by Banco Espirito Santo, the second-largest lender in Portugal. However, there is positive development in the major economies, including the continued strength of the U.S. labor market overall, increased signs that economic growth in China is strengthening as evident by the improving manufacturing purchasing managers' index. Although various uncertainties are likely to weigh on the broader markets, we believe efforts to pursue nanotechnology will largely be intact because of its value proposition of producing innovative materials, procedures and applications together with the long-term approach taken by governments and enterprises alike worldwide towards developing disruptive technologies. Hence, we believe nanotechnology plays should continue to flourish and could generally outperform the broader markets this year and probably beyond.

- **CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED (CNID):** This index continues to perform, achieving positive returns for the last six quarters with a 3.04% increase in 2Q, when the Nano-Life Sciences sub-group was the performance leader, registering a sequential growth of 8.6%, as seven of its 15 constituents recorded double-digit gains sequentially. On the contrary, Nano-Manufacturing was the worst performer because almost a quarter of its component companies declined more than 10% in the quarter versus 1Q14 though this sub-group was able to produce a small gain of 0.23%.
- **CEDRUS NANOTECHNOLOGY INDEX – PURE (CNIP):** CNIP's overall performance of 1.81% in 2Q was overshadowed by that of CNID, with every sub-group underperforming its peer in CNID too. The Nano-Life Sciences sub-group also led the pack in performance, returning 7.49% in the quarter, while Nano-Manufacturing was the laggard as well, posting a negative return of 1.31%.

**Cedrus Nanotechnology Index – Diversified (CNID)**



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