April 1, 2014

The results for 2013, the first quarter of 2014 and inception-to-date performance of Threshold Capital Corp for the period ending March 31, 2014 were as follows:

	2013	Q1 2014	JAN 1, 2007 TO PRESENT
Threshold(A) **Threshold(B)non-leverage**	**+1.86%** **+7.64%**	**+1.13%** **+0.66%**	**+89.54%** **+53.67%**
DJIA	+26.50%	-(0.72)%	+32.05%
S&P 500	+29.60%	+1.30%	+32.01%
NASDAQ	+38.32%	+0.54%	+73.85%
Russell 2000	37.00%	+0.81%	+48.93%

While 2013 was a frustrating year for performance, Clients of Threshold Capital have begun 2014 in much better standing. Towards the end of 2013, Threshold Capital made adjustments to Client portfolios by liquidating positions in Sohu.com Inc. (NASDAQ:SOHU), China Yuchai International Limited (NYSE:CYD), Newmont Mining Corp. (NYSE:NEM), and Yamana Gold Inc. (NYSE:AUY). New positions for Clients, added in late 2013 and during the first quarter of this year are Ventas Inc. (NYSE:VTR), WR Berkley Corp (NYSE:WRB), Kinder Morgan Inc. (NYSE:KMI), and Roche Holdings Ltd. (OTC: RHHBY). Noteworthy to date in 2014, a core Client position – Beam Inc. (NYSE:BEAM) received a takeover offer by Japanese spirits maker Suntory. Threshold Clients who have held this security since initial purchase (October 2011) locked in a 65% long term gain with this idea. As of the end of the first quarter of 2014, the top five Client positions were Philip Morris International (NYSE:PM), Tiger Media Inc. (NYSEAmex: IDI), Lorillard Inc. (NYSE:LO), Altria Group (NYSE:MO), and Xylem Inc. (NYSE:XYL).

Ventas, Inc. (NYSE:VTR), is a leading real estate investment trust (REIT) with a diversified portfolio of approximately 1,500 senior housing communities, medical office buildings, skilled nursing facilities & hospitals in the US and Canada. Approximately 84% of the Company's revenue is derived from private pay, non-government sources. Ventas has been a consistent performer, easily outperforming the S&P 500 over the last decade, while also providing strong annual dividend growth of 10%. Led by visionary CEO Debra Cafaro, in 2013, Ventas earned $4.14 in FFO (Funds From Operations) on sales of $2.46 Billion. The Company also just recently raised its dividend to $0.725 per share (in the first quarter) and now yields 4.8% for shareholders.

Based in Greenwich, Connecticut, WR Berkley Corporation (NYSE:WRB) is a financial services company focused on the property and casualty insurance business. It operates in three (3) segments: Insurance – Domestic (US), Insurance – International, and Re-Insurance – Global. Founded in 1967 by William R Berkley while attending Harvard Business School, the Company operates worldwide and offers multiple insurance lines including Accident, Business Interruption, Collector Car, Commercial Property, Data Risk, Fine Arts, Kidnap & Ransom, Medical Malpractice, to Workers Compensation. In 2013, the Company generated $6.4 Billion in revenue and earned $3.55. WR Berkley also recently increased its share repurchase authorization back to its previous level of 10 million shares which represents approximately 8% of the Company. CEO William Berkley commented on the year-end call with investors: "Our investment performance was good while maintaining a high level of liquidity. We continued to invest in non-fixed income securities and had over $125 million in realized gains for the year. We would expect 2014 will continue to generate significant gains."

Kinder Morgan (NYSE:KMI) is the largest midstream and the third largest energy company in North America. The Company own interests in or operates approximately 80,000 miles of pipelines and 180 terminals. KMI's pipes transport natural gas, refined petroleum products, crude oil, carbon dioxide and others. The Company also stores and/or handles a variety of products and materials at their terminals such as jet fuel, refined gasoline, coal, ethanol, petroleum coke and steel. Essentially, Kinder Morgan operates like a large toll road and it receives fees for its services, generally avoiding commodity price fluctuations. Its customers include the major oil companies, energy producers and shippers, and local distribution companies. In 2013 the Company paid out $1.60 per share in dividends and currently yields 5.0% The Company is led by its founder and CEO, Richard D Kinder. Mr. Kinder receives a salary of $1 per year; he receives no bonuses, zero stock options and no restricted stock. He owns approximately 24% of KMI and most recently has made large, open market purchases with his own capital. In December 2013 he purchased 828,000 shares for $27 million; and this past February he purchased an additional 200,000 shares paying another $6.4 million. Since June of last year, Mr. Kinder has spent nearly $50 million of his own money purchasing shares of KMI. Finally, just last month, KMI announced that it expects to meet or exceed its 2014 financial expectations – dividends of $1.72 per share for shareholders, an 8% increase over 2013.

Roche Holding Ltd. (OTC: RHHBY) is a Swiss pharmaceutical and medical diagnostic company. It is the globe's largest biotechnology company with a broad diversified product portfolio and a promising pipeline of potential new drugs. Some of Roche's well-known drugs are: Mab Thera/Rituxan (for non-Hodgkin's lymphoma and rheumatoid arthritis), Avastin (for colorectal, kidney, and ovarian cancer), Herceptin (for breast and stomach cancer), Pegasys (for Hepatitis B & C), and Tamiflu (for current and preventative treatment of the flu). The Company earned approximately 14.27 Swiss Fr last year on an 18% jump in net income. 2014 is slated to be better for Roche as new drugs will drive growth and profits – Kadcyla (for breast cancer) and Gazyva (for leukemia) were both approved in the US last year and are showing strong sales results. One of Roche's most exciting developments was the hiring (in April 2013) of Dr. John C Reed MD PhD as Head of Pharma Research and Early Development. Dr. Reed is the world's leading biomedical researcher whose primary focus is on cancer, neuroprotection, autoimmunity, and other diseases. Dr. Reed has devoted his life to the fight against cancer and the executives at Roche have handed him the facilities and capital he needs to continue his groundbreaking research and discover new drugs to benefit mankind.

Exposure to the tobacco sector continues for Clients in 2014 with positions in Philip Morris International (NYSE:PM), Altria Group (NYSE:MO) and Lorillard Inc. (NYSE:LO). PMI earned $5.26 per share in profits on $80.02 Billion in revenue. PMI executive management stated that 2013 was a difficult year for the Company, as a stronger US dollar, higher taxes in its Philippine operations, and volume declines in the European Union contributed to lower than anticipated profits. Currency headwinds dragged down earnings per share by $0.34 or 6.4% during the year, and the trend of the stronger dollar appears to be continuing into 2014. PMI is expecting flat profit growth for 2014 but will continue to generate strong free cash flow. Last year, the Company increased its dividend to shareholders by 10.6% to an annualized rate of $3.76 per share and its common equity now yields an attractive 4.7%. Excluding the US, Philip Morris International currently holds more than 28% of the total international cigarette market, led by its flagship Marlboro brand. Altria Group Inc.,(NYSE:MO) which holds a 50% market share of all domestic US cigarette sales earned profits of $2.26 per share on $24.46 Billion in revenue. During 2013, Altria's electronic cigarette push via its Nu Mark LLC subsidiary began to show promise with strong results of its Mark Ten product in the state of Arizona. Early this year, Altria agreed to acquire the e-vapor business of Green Smoke, Inc. for $110 million. The Company plans on combining Nu mark's brand capabilities with that of Green Smoke's e-vapor expertise to further enhance Altria's push into the fast growing electronic segment. Lorillard, Inc. (NYSE:LO), the makers of Newport reported earnings of $2.81 per share in 2013 on sales of $6.62 Billion. Lorillard's blu eCigs results exploded in 2013. Sales grew to $230 million for the year versus sales of $61 million in 2012. Lorillard also made moves into the United Kingdom, acquiring SKYCIG in October 2013. The electronic cigarette market has exploded worldwide and now generates over $1.5 Billion in revenue. Tobacco companies have embraced the technology and have moved quickly to gain loyal customers. But they have also been very clever to NOT tarnish their existing brands with transferring these names to this new battery powered device. To date electronic versions of Marlboro, Camel, Lucky Strike, Parliament, West, Rothmans do not exist. Tobacco companies have launched new brands to complement their traditional smokes and customers have responded by handing over their money. Some analysts predict that electronic versions of cigarettes will outpace the sales of traditional tobacco products by 2020. This appears to be the trend, but investors must take heed that FDA regulation in these products is sure to appear in the near future.

Since being spun-off from its parent ITT Corporation in late 2011, Xylem Inc. (NYSE:XYL) has performed brilliantly. The Company named a new CEO in early March 2014 – Mr. Patrick K Decker, who joined Xylem from Harsco Corporation, a global industrial services company. For 2013, Xylem earned $1.67 per share on revenues of $3.84 Billion. The launch of new products (pumps & valves, monitoring equipment) combined with new project wins (such as technology and equipment for drainage system on the New Jersey coastline) contributed to organic sales growth for the year. For 2014, Xylem is projecting $4 Billion in revenue and earnings per share in the range of $1.85 to $2.00. The globe may not accept or realize it yet, but we are in the midst of a fresh water crisis. Less than 2% of the earth's water can be classified as fresh water, and by 2025 according to the Food & Agriculture Organization of the United Nations, 1.8 Billion people will be living in countries or regions with absolute water scarcity, and two thirds of the world's population could be living under water stressed conditions. Here in the US, degrading and aged pipe systems leak 1 out of every 6 gallons of water from treatment plants on its way to consumer's homes. Xylem continues to be an excellent way to have exposure to the international and domestic infrastructure water business.

Threshold Capital continues to have Client assets invested in Brazil with positions in Telefonica Brasil (NYSE:VIV), and Ultrapar Participacoes SA (NYSE:UGP). Brazil, the largest economy in Latin America and number seven on the globe continues its preparations for hosting the World Cup beginning in June 2014 and the Summer Olympic Games in 2016. While Brazil continues to spend Billions on these projects, the country is still experiencing economic strain. Inflation continues to be a problem for consumers – prices rose another 5.9% in 2013 on top of a 5.8% rise in 2012. Overall, Brazil grew 2.3% for the year and ended on a strong note thanks to higher consumer spending and investment. Ultrapar (NYSE:UGP) reported its 30th consecutive quarter of earnings growth as a result of consistent investments to strengthen and expand their business. The Company entered the fast growing retail pharmacy sector with its association and purchase of Extrafarma for $450 million. Ultrapar is planning to use the Extrafarma brand and units inside its gas station chain Ipiranga to expand both brand awareness and dive higher retail sales. Ultrapar executive management commented; “This move opens new opportunities for value creation, mainly through the enhanced scale for the expansion of Extrafarma’s stores, to be boosted by increased investment capacity, by the widespread presence of Ipiranga’s service stations and Ultragaz’s resellers, and by the implementation of Ultrapar’s corporate governance and incentive systems.” Telefonica Brasil (NYSE:VIV) generated BR$34.72 Billion in revenue for 2013 and BR$3.71 Billion in net income. All lines of their business recorded subscriber growth and data revenue/mobile internet increased by over 35%. VIV continues to be the leader in mobile and fixed line telecommunications in Brazil; the Company currently yields approximately 7%.

Threshold Capital continues to have exposure to China’s growing economy with its position in Tiger Media (NYSEAmex: IDI). Tiger just reported revenues of $2.87 million for the year, mostly from the launch of its now branded ‘iScreen” displays. The Company presently has over 100 LCD screens located at twenty locations at luxury shopping malls in Shanghai. The Company continues to gain traction with this new advertising medium and has received tremendous positive feedback and responses from their current Clients - advertisers such as BMW, Pepsi, Swatch, Gap, Coach, and Lacoste. These new iScreens also provide consumers with free Wi-Fi service – so viewing of the advertisement is increased. For 2014, Tiger aims to focus on driving sales growth in this existing iScreen network and also build out other cities in cities like Beijing, Chongqing, and Guangzhou. The Home Inns concession, first announced in July 2012, but then delayed due to the changeover in Beijing and local municipalities, will begin to build out in 2014. The Company has chosen to concentrate on the interior of these hotel locations (lobbies, elevators, and potentially guest rooms), as many levels of approvals are needed for rooftop billboards. It is highly significant that Peter Tan, the CEO and owner of 10.2% of the Company, commented that during the last quarter of 2013, the Company was profitable. 2014 will be a pivotal year for Tiger Media as the Company now has its growth model in place and now it must execute. Threshold Capital will watch closely; and a trip to Company headquarters in Shanghai is currently in the works.

China grew its economy at a 7.7% rate for 2013 which is the slowest in almost 14 years. After three decades of double digit economic growth that undoubtedly relocated many Chinese citizens from their farms to the coastal metropolitan cities, the new Chinese leadership intends to change tactics and move towards sustainable and higher quality development. This means drastically reducing central and at times, local municipal government intervention and allow its internal financial markets to determine where to allocate resources and promoting domestic consumption with lower dependence on exports. Some economists are predicting 7.5% growth for 2014, but the closer the number gets to 7%, the more nervous the central planners in Beijing become. Signals of slowing have already emerged this year – steel output by Chinese steel makers has dropped for five consecutive months and oil consumption rose at its slowest rate in over five years. Beijing officials still continue their attempt to slow the development of real estate, but buyers appear willing to keep paying for apartments. Chinese citizens continue to plow their hard earned cash into real estate and not its equity stock markets mostly due to cultural and historical reasons. They have no interest in buying shares of money losing state owned enterprises; they care to own real assets – like real estate and gold. However, in early March 2014, China experienced its first mainland bond default by a Chinese company. Shanghai Chaori Solar Energy Science & Technology Co. missed a coupon payment on March 7, 2014 on a one billion yuan bond issued in 2012. The Chinese government has stepped in to definitively state that Chaori Solar will NOT receive any government aid or bailout. Chinese officials believe many industries, such as solar, suffer from overcapacity and therefore those companies who are not “strategic” deserve to fail. Some analysts predict this situation may prove to be China’s ‘Bear Stearns” moment as approximately $1.5 Trillion in domestic bonds are due to mature this year. China is still a compelling place for investment consideration. Investors should be reminded that since 1978, per capita income has grown from $225 to more than $6,000 and 600 million people have been lifted from poverty. In 2005, China had no high-speed rail; today’s it has the world’s largest network with over 5,800 miles of track. China has plans to construct an additional 5,000 miles of track, another 50 world class airports, and 400 deep water ports for container ships by the end of 2017. Threshold Capital believes the current Chinese based company in Client portfolios are wonderful opportunities to capitalize on continued strong (although gradual slowing) GDP growth.

As of April 1, 2014 Threshold Capital Corp. current Client long positions are:

Altria Group Inc.
WR Berkley Corp.
Kinder Morgan Inc.
Lorillard Inc.
Market Vectors ETF Gold Miners
Market Vectors ETF Junior Gold Miners
Philip Morris International Inc.
Roche Holdings Ltd.
Telefónica Brasil SA
Tiger Media Inc.
Ultrapar Participacoes S.A.
Xylem Inc.
Ventas Inc.

Sworn into office in early February 2014, Janet L Yellen took over for Ben Bernanke as Chairman of the US Federal Reserve. Chairwoman Yellen has strongly defended US central bank policy of low interest rates as the Fed's balance sheet has quintupled in size and now bulges with mortgage and US Treasury bonds. The US equity markets have responded explosively to the Fed's stimulus measures over these past years – the Dow Jones Industrial Average has risen from 6,500 to 16,500 and the S&P 500 index has nearly tripled from 666 to its present level of 1880. Former Chairman Bernanke began the taper in December 2013, simply by cutting back by $10 Billion on monthly auction purchases. New Chairwoman Yellen has continued this taper and monthly purchases now stand at $55 Billion per month and sure to decrease going forward this year. The big question still remains – what will happen in five more months' time when the Fed is no longer standing there as the buyer? This has been the weakest US economic recovery in post WW II history. While the "official" unemployment rate has dropped from a high of 10% in July 2009 to its present 6.7% last month; this figure is misleading. It does not include the millions of Americans who have given up the search for full-time employment. And if you ask the average US citizen, do they feel better off than they did before or even after the 2008 financial crisis? The answer unfortunately is a resounding "No!" Lately, investors have been chasing the concept and momentum stocks in the fields of social media, 3-D printing, and biotechnology. And some of these high-fliers, let's take Mr. Zuckerberg's Facebook as an example, are behaving like the cost of money will be free forever. In February 2014, Facebook agreed to buy WhatsApp (a mobile messaging company) for $19 Billion, mostly in stock. WhatsApp has very little revenue (less than $20 million) and less than 65 employees. It charges its users only $0.99 a year (after the first year free). And just so everyone is aware – investors are currently purchasing Facebook who believe it is worth $160 Billion. Industrial behemoths Caterpillar, Cummins Engine and insurance legends Traveler's and Allstate are worth $148 Billion combined. Something is definitely rotten in Denmark.

Threshold Capital is here to remind investors that investing their hard earned money into relatively new, high flying stocks should proceed with caution. It is Threshold Capital's belief that investors have mostly forgotten on "how to be an investor." Investors should follow a steady course to build wealth over time and reject a focus on short term results.

For the remainder of 2014, Threshold Capital will continue its in-depth fundamental research and analysis – searching for opportunities, including special situations. Threshold Capital would like to remind Clients that it has always been my goal to outperform the markets over a long term time horizon and not to focus on short-term quarterly returns. We will continue to invest in well run businesses with exceptional managements, including at times taking advantage of (short-term) pricing inefficiencies. Please feel free to contact me with any questions, comments, or ideas. Thank you for your continued support.

Sincerely,

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