

## DIRECTORY FOR THE FUND

### *Directors of the Fund*

Tan Teng Boo  
Sim Biow Ming Myra

### *Investment Manager*

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### *Registered Office of the Fund*

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### *Administrator*

HSBC Trustee (Cayman) Limited

### *Administrator's Delegate*

HSBC Institutional Trust Services (Singapore)  
Limited

### *Custodian to the Fund*

HSBC Trustee (Cayman) Limited

### *Legal Advisers as to Cayman Law*

Walkers

### *Legal Advisers as to Singapore Law*

Rajah & Tann

### *Auditors to the Fund*

PricewaterhouseCoopers Cayman

# *i* Capital Global Fund

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## Quarterly Report for the period 6 July 2007 to 31 January 2008

# **i Capital Global Fund**

## Interim Report of the Fund Manager for the period 6 July 2007 to 31 January 2008

### **Performance**

This is the second quarterly report of the *i* Capital Global Fund. Although the financial year of the *i* Capital Global Fund ends on 30 April, it only started operations in July 2007, that is, after the close of its initial offer period.

For the period between 6 July 2007 and 31 January 2008, the net asset value (NAV) of the *i* Capital Global Fund fell by 0.66% or US\$6.62 from US\$1,000.000 to US\$993.382 per share. This compares with a 10.12% fall in the Morgan Stanley World Index <sup>(1)</sup> and a 9.32% fall in the Morgan Stanley All Country Index <sup>(2)</sup> during the said period.

As you may know, the *i* Capital Global Fund was launched shortly before the world financial markets and institutions were adversely affected by the US subprime and mortgage-related problems. Since our last quarterly report, the problem has spread and the financial markets have tumbled further. Your Fund Manager has been taking advantage of this and although your Fund could have been fully invested quickly, it has only gradually increased its investment. By the end of January 2008, your fund was about 62.5% invested as opposed to around 55% at the end of October 2007.

The present portfolio of the *i* Capital Global Fund is spread across 12 companies and engaged in a wide range of business activities (for details, refer to the schedule of securities). A new addition is Oil Search Ltd, an oil and natural gas company listed on the

Australian Securities Exchange. Your Fund bought additional shares of Porsche and Chaoda Modern Agriculture, Rex Capital Financial and Shanghai Industrial Holdings, with the latter three listed on the Hong Kong Stock Exchange.

The top five investments are Porsche, Bank of East Asia, Tesco plc, Shanghai Industrial Holdings and Chaoda Modern Agriculture. These 5 investments make up about 42% of the total investable funds.

### **Strategy**

Since our last report, amidst widespread worries and heightened fears, the financial markets have tumbled further, especially in January 2008. The turbulence can be frightening but it offers long-term investing opportunities. At a macro level, the world economy has and is still undergoing an unprecedented structural transformation, resulting mainly from China's economic transformation. As the *i* Capital Global Fund utilises a value investing style, it finds the current turbulent market conditions an excellent hunting ground for attractive investments. In the same token, we would urge serious investors to take advantage of such scary times by increasing your investment in the *i* Capital Global Fund.

**Tan Teng Boo**  
**Capital Dynamics (S) Pte Ltd**  
**19 March 2008**

**(1) : This index comprises prices from 23 developed countries.**

**(2) : This index comprises prices from 48 countries, including China.**

**i CAPITAL GLOBAL FUND**

**STATEMENT OF OPERATIONS (Unaudited)**

For the financial period from 6 February 2007 (date of incorporation) to 31 January 2008

	<b>Note</b>	<b>US\$</b>
<b>Investment Income:</b>		
Dividends (net of foreign withholding taxes of \$23,579)		122,223
Interest income		472,529
<b>Total investment income</b>		<u>594,752</u>
<b>Expenses:</b>		
Investment management fees		275,249
Custodian fees		12,791
Accounting and valuation fees		18,350
Legal fees		58,114
Audit and tax services		12,333
Transfer agent fees		1,750
Miscellaneous		(46,986)
<b>Total expenses</b>		<u>331,601</u>
<b>Net investment income</b>		263,151
<b>Realized and Change in Unrealized Gain (Loss):</b>		
Net change in unrealized appreciation/depreciation of investment		<u>(800,540)</u>
<b>Net Increase in Net Assets Resulting from Investment Operations (at bid market prices)</b>		(537,389)
Adjustment from bid market prices to last traded market prices		(162,346)
<b>Net Increase in Net Assets Resulting from Investment Operations (at last traded market prices)</b>		<u>(699,735)</u>

**i CAPITAL GLOBAL FUND****STATEMENT OF ASSET AND LIABILITIES (Unaudited)**

As at 31 January 2008

	Note	31 January 2008 US\$
<b>Assets:</b>		
Investments, at value (cost - \$22,379,356)		21,578,816
Cash		13,147,645
Dividends and interest receivable		39,027
Receivable from unitholders		450,015
Total Assets		<u>35,215,503</u>
<b>Liabilities</b>		
Accrued expenses		62,698
Total Liabilities		<u>62,698</u>
<b>Net Assets</b>		<u>35,152,805</u>
<b>Net Assets:</b>		
<b>Common Stock:</b>		
Par value (\$0.01 per share, applicable to 35,518 shares issued and outstanding)		355
Paid-in-capital in excess of par		35,981,884
Undistributed net investment income		263,151
Net unrealized appreciation of investments and foreign currency transactions		(1,092,585)
<b>Net Assets (at bid market prices)</b>		<u>35,152,805</u>
<b>Net Assets Value Per Share</b>		<u>\$989.72</u>
<b>Represented by:</b>		
Net assets attributable to holders of redeemable units (at last traded market prices)		35,282,504
Adjustment from bid market prices to last traded market prices		<u>129,699</u>

**i CAPITAL GLOBAL FUND**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (Unaudited)**

For the financial period from 6 February 2007 (date of incorporation) to 31 January 2008

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	<b>For the financial period from 6 February 2007 (date of incorporation) to 31 January 2008</b>	
	<b>Number of units</b>	<b>US\$</b>
<b>Net assets attributable to holders of redeemable units at beginning of financial period (at bid market prices)</b>	-	-
Proceeds from redeemable units issued	35,518	35,982,239
Redemption of redeemable units	-	-
Net increase from units transactions	35,518	35,982,239
Profit after tax	-	(537,389)
Adjustment from bid market prices to last traded market prices	-	(162,346)
<b>Net assets attributable to holders of redeemable units at end of financial period (at last traded market prices)</b>	35,518	35,282,504

**i CAPITAL GLOBAL FUND****CASH FLOW STATEMENT (Unaudited)**

For the financial period from 6 February 2007 (date of incorporation) to 31 January 2008

	<b>For the financial period from 6 February 2007 (date of incorporation) to 31 January 2008</b>
	<b>US\$</b>
<b>Cash flows from operating activities</b>	
Net profit	(537,389)
Adjustment for:	
Dividend income	(145,802)
Interest income	(472,529)
Tax expense	23,579
<b>Operating cash flow before working capital changes</b>	<u>(1,132,141)</u>
Changes in operating assets and liabilities	
Financial assets and financial liabilities at fair value through profit or loss	(21,578,816)
Payables	62,698
Cash used in operations	<u>(22,648,259)</u>
Dividend received	132,927
Interest received	446,377
Tax paid	(23,579)
<b>Net cash used in operating activities</b>	<u>(22,092,534)</u>
<b>Cash flows from financing activities</b>	
Proceeds from issue of units	<u>35,982,239</u>
<b>Net cash from financing activities</b>	<u>35,982,239</u>
<b>Net increase in cash and cash equivalents held</b>	13,889,705
Cash and cash equivalents at the beginning of the financial period	(742,060)
<b>Cash and cash equivalents at the end of the financial period</b>	<u>13,147,645</u>

## NOTE TO THE FINANCIAL STATEMENTS

For the financial period from 6 February 2007 (date of incorporation) to 31 January 2008

## Schedule of securities

	Holdings No. of Shares	Changes from 31-Oct-07	Fair Value USD	% of Total Net Assets %
<b>AGRICULTURE</b>				
CHAODA MODERN AGRICULTURE	1,771,875	21,875	1,803,343	5.13
<b>AUTOS &amp; TRUCKS</b>				
PORSCHE PFD NPV	2,500	900	4,420,645	12.58
<b>AEROSPACE</b>				
ROLLS ROYCE GROUP PLC B SHR	3,636,000	-	-	-
ROLLS-ROYCE GROUP PLC	90,000	-	841,718	2.39
<b>FINANCE</b>				
BANK OF EAST ASIA	500,000	-	2,832,807	8.06
REXCAPITAL FINANCIAL HOLDING LTD	4,000,000	1,000,000	502,471	1.43
<b>FOODS</b>				
TESCO PLC	280,000	-	2,315,830	6.59
<b>HEALTHCARE</b>				
SONIC HEALTHCARE LTD	120,000	-	1,719,876	4.89
<b>MISCELLANEOUS</b>				
SHANGHAI INDUSTRIAL HOLDINGS LTD PREFERRED OFFER NIL PAID RTS 30/06/2008	3,600	-	-	-
SHANGHAI ASIA HLDGS LTD	1,535,000	-	254,094	0.72
SHANGHAI INDUSTRIAL HLDGS LTD	996,000	636,000	3,638,554	10.35
<b>OIL &amp; GAS</b>				
CNPC HONG KONG LTD	1,500,000	-	703,715	2.00
DIAMOND OFFSHORE DRILLING INC	10,000	-	1,126,900	3.21
OIL SEARCH LTD	380,000	380,000	1,418,863	4.04
			<b>21,578,816</b>	<b>61.39</b>

## **Other Information**

Capital Dynamics (S) Pte Ltd (CDPL), a global fund manager based in Singapore, is the fund manager for the i Capital Global Fund.

CDPL commenced operations in June 2006 and is part of the established Capital Dynamics group, which provides fund management and investment advisory services to institutional and retail clients. As a global fund manager, CDPL manages the i Capital Global Fund, an open-end fund and discretionary accounts.

From its inception in July 2007 to 31 January 2008, the i Capital Global Fund has achieved a return of -1.12% (annualised), as opposed to -13.98% for the Morgan Stanley All Country World Index (MXWO) and -12.35% for the Morgan Stanley World Index (MXWD). For the 13 months ended 31 January 2008, funds under CDPL's management achieved a return of 6.15% (annualised), outperforming a return of -1.07% for MXWO and 0.54% for MXWD.

Capital Dynamics Asset Management S/B (CDAM), based in Kuala Lumpur, manages icapital.biz Berhad, a closed-end fund listed on Bursa Malaysia and discretionary accounts. The share price of icapital.biz Berhad consistently trades at a premium to its net asset value.

CDAM has been consistently reporting positive returns since its inception. Between 1998 and January 2008, CDAM achieved a net compound return of 26.51% per annum and has substantially outperformed the Kuala

Lumpur Composite Index every year, which gained 8.63% per annum in the same period.

The Capital Dynamics group traces back to 1988, when its managing director, Tan Teng Boo, an experienced investment manager, founded Capital Dynamics S/B, the first independent investment adviser in Malaysia. It provides top quality advice on investments through *i Capital*, its weekly report, and [www.icapital.biz](http://www.icapital.biz), the Internet edition. It supervises 5 portfolios with the oldest started as far back as Sep 1991. Every portfolio has outperformed the market indices by a substantial margin.

The investment philosophy of the Capital Dynamics group, including that of CDPL, is guided by a sound and rigorous value-investing framework. Essentially, the Capital Dynamics group seeks low risk yet high return types of investments.

The Capital Dynamics group is independent and is therefore not part of any financial institution. Being owner-operated, the continuity and consistency of the investment approach adopted by the group is assured.