

i Capital Global Fund



Quarterly Investment Report
For the period 1 May 2014 to 31 July 2014

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ICGF AT A GLANCE

Investment Objective

The Fund's investment objective is to focus on long-term capital appreciation.

Who should invest?

Eligible Investors ^[1] seeking a value investing style and exposure to the global stock markets, who are able to adopt a long-term outlook and endure performance fluctuations

Buy / Sell Spread

Nil

Management Fee

1.5% p.a.

Performance Fee

Only chargeable if the following three criteria are met in the same period:

1. NAV exceeds 6% annual rate of return *and*
2. NAV exceeds 6% annual compound rate of return *and*
3. Both annual and annual compound returns must still be above 6% after the performance fee is charged

Inception Date

6 Jul 2007

Minimum Investment (USD)

\$200,000 minimum

Additional Investment (USD)

\$10,000 minimum

Directors of the Fund

Che Hui Shan (Appointed on 28 October 2014)
Kok Tzu Wei (Appointed on 28 October 2014)
Tan Teng Boo (Retired on 29 October 2014)
Chew Poh Imm Claudine (Retired on 29 October 2014)

**Investment
Manager**

Capital Dynamics (S) Private Limited
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**Registered Office of the
Fund**

Deutsche Bank (Cayman) Limited
P.O. Box 1984
Boundary Hall
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Cayman Islands

Administrator

Deutsche Bank AG, Singapore Branch

Custodian of the Fund

Deutsche Bank AG, Singapore Branch

**Legal Advisers to
Cayman Law**

Walkers

**Legal Advisers to
Singapore Law**

Rajah & Tann

Auditors of the Fund

Ernst & Young, Cayman Islands

PERFORMANCE REVIEW

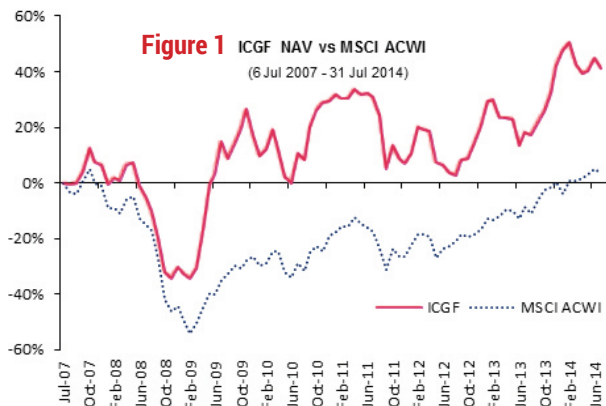
This is the first quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2015.

In the three months ended 31 July 2014, the net asset value (NAV) of the *i* Capital Global Fund increased 1.39% or US\$19.29 from US\$1,391.824 to US\$1,411.114 per share. In the same period, the MSCI All Country World Index (MSCI ACWI) ^[2] increased 2.16%.

Between 6 July 2007 and 31 July 2014, the NAV of the *i* Capital Global Fund gained 41.11% or US\$411.114 from US\$1,000.000 to US\$1,411.114 per share. In the same period, the MSCI ACWI increased 3.70%.

Figure 1 shows the NAV of the *i* Capital Global Fund against the performance of the MSCI ACWI since its launch which was just before the financial markets and economies were seriously affected by the 2008 US-led financial crisis. Since then, your Fund has consistently outperformed the MSCI ACWI.

The portfolio of your Fund is spread across 9 companies that are engaged in a wide range of business activities



– see the Schedule of Securities on page 10.

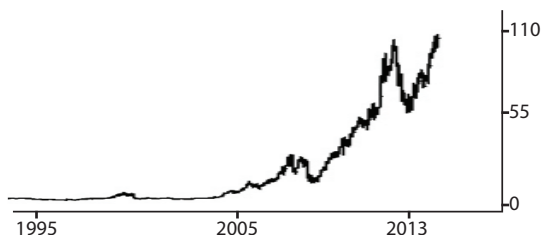
The top 5 investments as at 31 July 2014 were Rexlot Holdings Ltd, Porsche Automobil Holdings, Petra Diamonds, China Wind Power International Corp. and IP Group. They made up 48.17% of the total assets. At the end of July 2014, your Fund had 41.31% of its NAV in cash.

MARKET REVIEW AND OUTLOOK

As we write this commentary, crude oil price, West Texas Intermediate basis, has broken the US\$54 per barrel mark. For now, your fund has more than 60% of its NAV in cash, mainly in US\$/HK\$. For now, there are no reasons for your fund manager, Capital Dynamics (S) Pte Ltd, to revise its pessimistic views. The New York stock market is still trading at dangerous valuations, especially when viewed against a misguided US monetary policy.

Lots of people are convinced that Apple is a great company. Americans hero worshipped the company and its founder in an almost god-like manner. Its share price has been surging (see Figure 2) and Apple's current market capitalisation, based on a price of US\$114 per share, is worth a whopping US\$670 billion with a rich PE ratio of a tad below 18 times. Is this valuation too rich? Some would say yes, others would say it is cheap. There is another way to decide whether

Figure 2 Apple's Share Price



Apple is cheap or whether its valuation is far too rich.

At around US\$670 billion, Apple is worth more than the entire stock market capitalisation of Russia. Of course, many would put all the blame on Putin, accusing him of mismanaging Russia. This shocking fact that Apple is worth more than Russia's entire stock market is actually due to drop in the Rouble and Russian stock prices, which are in turn due to the plunging oil price and to the political punishments meted out by the United States and Europe.

While Apple as a business has intrinsic value, Russia does have her "intrinsic value" too. Russia is the largest country in the world, despite the break up after Glasnost/Perestroika. She is twice the size of the United States, immensely rich in a wide variety of natural resources, and her people are extremely creative and talented in so many human endeavours, ranging from music to literature to art to ballet to sciences to mathematics and more. Russian science and technology are very advanced and often world class. Russia was after all the first country in the world to send an astronaut into space. Her population of 142 million with a GDP per capita of around US\$18,000 makes Russia's economy pretty resilient and despite the drop in the Rouble and the sanctions imposed by the US and Europe, Russia still has US\$418.9 billion in foreign reserves. Well, even the US still treats Russia as a formidable foe.

While Russia's stock market looks undervalued, Apple's valuation looks far too rich. Russia appears to have priced in many negatives and Apple appears to have priced in all the positives. More worryingly and this brings us to the main point of *i* Capital that the current overvaluation of Apple vis-à-vis Russia reminds one of Japan way back in 1990, just before Japan's infamous twin asset bubbles got busted.

Between 1980 and 1990, Japan's national wealth tripled. The Yen kept soaring. The Nikkei kept surging like it was a one-way street until it hit 39,000 points (it plunged to 7,376 points in 2009). Real estate prices in Japan and, in particular, in Tokyo skyrocketed so high that analysts said the land under the Imperial Palace was worth more than the entire state of California. The current gloom is a sharp reversal from the Eighties, when Japanese companies bought up iconic Rockefeller Center. Now, we all know how poorly the Tokyo stock market has performed since 1990. So, the fact that you can sell the whole of Apple Inc and be able to purchase the entire stock market of Russia, and still have enough money to buy every Russian an iPhone 6 Plus is truly a solemn thought about the bubbles created by the US Federal Reserve and its inability to walk the talk. As Janet Yellen yells buy, buy, buy, think Imperial Palace and California. Buying US shares based on her monetary policy is like riding a tiger. How does one safely get down from a tiger?

Best wishes,

陳鼎武

Tan Teng Boo
Managing Director
Capital Dynamics (S) Pte Ltd
31 December 2014

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31-JUL-14

	US(\$)
Income	
Dividend Income	326,659
Total investment income	<u>326,659</u>
Expenses	
Management fees	175,870
Administrative & Custodian fees	26,734
Withholding tax on dividend income	39,656
Professional fees	5,603
Other expenses	1,330
Total expenses	<u>249,193</u>
Net Investment Income	<u><u>77,466</u></u>
Gain/(loss) on investment and foreign currency transactions	
Net realised gain on securities transactions	(13,988)
Net change in unrealised gain on securities transactions	675,806
Net loss on foreign currency transactions	(31,949)
Net gain on investment and foreign currency transactions	<u><u>629,869</u></u>
Net change in net assets attributable to holders of participating shares resulting from operations	<u><u>707,335</u></u>

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31-JUL-14

	US(\$)
Assets	
Cash and cash equivalents	18,738,167
Investments in securities, at fair value (cost US\$ 23,967,178)	26,374,037
Other receivables	1,250
Total Assets	<u>45,113,454</u>
Liabilities	
Management fee payable	56,343
Other payables	39,421
Total Liabilities	<u>95,764</u>
Net assets attributable to the shareholders of the Fund	<u><u>45,017,690</u></u>
Net assets attributable to:	
Participating shares	45,017,680
Management shares	10
Net assets attributable to the shareholders of the Fund	<u><u>45,017,690</u></u>
Net asset value ("NAV") per participating share	
Based on 31,902 participating shares outstanding (April 2014: 33,510)	<u><u>1,411.11</u></u>

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATING SHARES (UNAUDITED)

For the three months ended 31-JUL-14

	US(\$)
Net change in net assets attributable to holders of participating shares resulting from operations	<u>707,335</u>
Capital transactions	
Redemption of participating shares during the period	<u>(2,330,305)</u>
Net change in net assets attributable to holders of participating shares resulting from capital transactions	<u>(2,330,305)</u>
Net change in net assets attributable to holders of participating shares for the period	(1,622,970)
Net assets attributable to holders of participating shares at beginning of year	<u>46,640,650</u>
Net assets attributable to holders of participating shares at end of year	<u><u>45,017,680</u></u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the three months ended 31-JUL-14

	US(\$)
Cash flows from operating activities	
Net change in net assets attributable to holders of participating shares resulting from operations	707,335
Adjustment to reconcile net change in net assets attributable to holders of participating shares resulting from operations to net cash generated from/(used in) operating activities:	
Changes in operating assets and liabilities	
Investments in securities, at fair value	(132,323)
Due from broker	1,038,653
Other receivables	(1,250)
Management fee payable	(2,038)
Other payables	7,489
Net cash flows generated from/(used in) operating activities	<u>1,617,866</u>
Cash flows from financing activities	
Redemption of participating shares	<u>(2,330,305)</u>
Net cash flows used in financing activities	<u>(2,330,305)</u>
Net change in cash and cash equivalents for the period	(712,439)
Cash and cash equivalents at the beginning of the period	<u>19,450,606</u>
Cash and cash equivalents at the end of the period	<u><u>18,738,167</u></u>
Supplemental disclosure of cash flow information	
Dividends received	<u><u>326,659</u></u>

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31-JUL-14

	Holdings as at 31-Jul-14 No. of Shares	Fair Value as at 31-Jul-14 USD	Percentage of total net assets attributable to shareholders at 31-Jul-14 %
AUTOMOBILES			
PORSCHE AUTOMOBIL HLDG	55,000	5,162,024	11.47
CAPITAL MARKETS			
IP GROUP PLC	700,000	2,142,685	4.76
COMMERCIAL SERVICES & SUPPLIES			
SHANGHAI ASIA HOLDINGS LTD	1,535,000	-	-
DISTRIBUTORS			
DAH CHONG HONG	3,300,000	2,022,567	4.49
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	5,700,286	12.66
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS			
CHINA WINDPOWER GROUP LTD	47,080,000	3,887,872	8.64
INSURANCE			
QBE INSURANCE GROUP LTD	150,000	1,534,582	3.40
MARINE			
MERMAID MARINE AUSTRALIA LTD	600,583	1,133,902	2.52
METALS & MINING			
PETRA DIAMONDS LTD	1,420,000	4,790,119	10.65
		26,374,037	58.59

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to July 2014, the *i* Capital Global Fund performance is 4.99% per annum, as opposed to 0.51% per annum for the MSCI ACWI. From 1 January 2007 to 31 July 2014, funds under CDPL's management achieved a return of 5.32% per annum, outperforming the MSCI ACWI which in that period recorded 2.99% per annum.

The Fund's performance for the *i* Capital Global Fund as at 31 July 2014 is shown below:

Performance as at 31 JULY 2014 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	41.11	3.70
Annualised Return	4.99	0.51

* Cumulative Returns are measured since inception.
(Note: Information is current as at 31 July 2014.)

About the group

Capital Dynamics is an independent global fund manager and investment adviser, not tied to any bank, insurer, stockbroker or political organisation.

Our managed funds and investment advisory services are all directly accessible by individual, corporate and institutional investors around the world, and we also offer individually managed accounts to wholesale investors. Currently we manage over US\$300m, from our offices in Kuala Lumpur, Singapore, and Sydney. Our investment advisory service is provided via *i* Capital newsletter, a weekly publication, and www.icapital.biz. It is available in English and Chinese.

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.

Capital Dynamics (Australia) Ltd (CDAL) obtained its Australian Financial Services License (ASFL 326283) from the Australian Securities and Investments Commission in December 2008. This allows CDAL to provide funds management and financial advisory services to retail and wholesale investors.

Based in Sydney, CDAL was set up with the aim of providing investors with the proven investment success of the Capital Dynamics group through the launch of the *i* Capital International Value Fund (ARSN 134578180) and individually managed accounts.

Launched in July 2009, the *i* Capital International Value Fund invests in global equities and is managed with a focus on long term capital appreciation while providing distributions.

Capital Dynamics Asset Management Sdn Bhd (CDAM), based in Kuala Lumpur, manages [icapital.biz](http://www.icapital.biz) Berhad, a closed-end fund listed on Bursa Malaysia and discretionary accounts. CDAM has been consistently reporting positive returns since its inception. Between April 1998 and July 2014,

OTHER INFORMATION

CDAM achieved a net compound return of 16.44% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 7.02% per annum in the same period.

Our Philosophies

Independence, intelligence and integrity drive all business and investment decisions at Capital Dynamics. Integrity is central to our corporate culture, and to our loyal clients of many years, our word has proven to be our bond. Capital Dynamics has some of the most stringent compliance policies in the industry.

As a global fund manager, our “Bamboo value investing” philosophy is unique, and has enabled Capital Dynamics to generate sustained superior returns. Based on long-term only investment principles, our value investing approach is given flexibility with the addition of macroeconomic factors and further investment intelligence from our team of fund managers and analysts. We go behind the commercial veneer of companies, travelling globally to research first hand.

GLOSSARY

[1] Eligible Investors

A person to whom the issue or transfer of, or where the holding of participating Shares:

- (i) would not constitute a breach of the laws of any jurisdiction; or
- (ii) would not be contrary to the regulations of any government authority; or
- (iii) would not give rise to circumstances (whether taken alone or conjunctively with other persons or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Fund and/or its Shareholders as a whole incurring any liability for taxation or suffering any other regulatory, pecuniary, legal or material administrative disadvantage that the Fund and/or its Shareholders might not otherwise have suffered or incurred; or
- (iv) would not give rise to circumstances which may cause the Fund to breach the terms of any license, registration or approval procured by it in relation to its investments; and
- (v) would satisfy the requirements set out in this section titled “Eligible Investors”.

Eligible Investors must also satisfy the requirements for an “accredited investor” or an “institutional investor” under the definition of the Securities and Futures Act.

[2] MSCI ACWI

A free float-adjusted market capitalisation weighted index which consists of 46 country indices, comprising 23 developed markets and 23 emerging market countries. This includes the stock markets of China, which ICGF cannot invest in at this time.

NOTES

Past performance is not a reliable indicator of future performance. Performance is calculated in US dollars, net of ongoing fees and expenses and assumes reinvestment of distributions.

Disclaimer: The information in this Quarterly Investment Report is not intended to provide advice and is being provided strictly for informational purposes only and does not constitute an advertisement. It has not been prepared taking into account any particular investor's or class of investor's investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. None of CDPL nor any of its related entities guarantees the performance of the Fund or the repayment of capital or any particular rate of return or any distribution.

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