

i Capital Global Fund



Quarterly Investment Report
For the period 1 August 2014 to 31 October 2014

CONTENTS

2	ICGF at a glance
4	Performance Review
4	Market Review and Outlook
6	Statement of Comprehensive Income (Unaudited)
7	Statement of Financial Position (Unaudited)
8	Statement of Changes in Net Assets Attributable to Holders of Participating Shares (Unaudited)
9	Statement of Cash Flows (Unaudited)
10	Schedule of Securities (Unaudited)
11	Other Information
13	Glossary
14	Notes

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
8 Robinson Road
#07-00, ASO Building
Singapore 048544
Tel. No. : 62248055/56/58
Fax No. : 62248057
Email: cdpl@icapital.biz
Web site: www.capitaldynamics.com.sg

**Registered Office
of the Fund**

Deutsche Bank (Cayman) Limited
P.O. Box 1984
Boundary Hall
Cricket Square
George Town
Grand Cayman KY1-1104
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 second quarterly report of the *i* Capital Global Fund for the financial year ending 30 April 2015.

In the three months ended 31 October 2014, the net asset value (NAV) of the *i* Capital Global Fund decreased 3.93% or US\$55.39 from US\$1,411.114 to US\$1,355.724 per share. In the same period, the MSCI All Country World Index (MSCI ACWI)⁽²⁾ decreased 0.85%.

Between 6 July 2007 and 31 October 2014, the NAV of the *i* Capital Global Fund gained 35.57% or US\$355.724 from US\$1,000.000 to US\$1,355.724 per share. In the same period, the MSCI ACWI increased 2.82%.

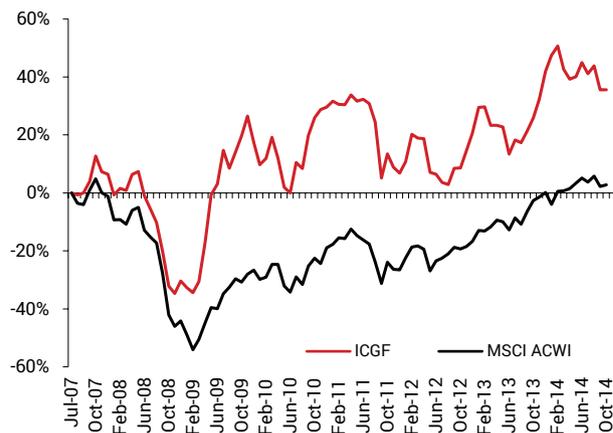
Figure 1 shows the NAV of the *i* Capital Global Fund against the performance of the MSCI ACWI since its launch which was just before the financial markets and economies were seriously affected by the 2008 US-led financial crisis. Since then, your Fund has consistently outperformed the MSCI ACWI.

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.

MARKET REVIEW AND OUTLOOK

For a long time, the US Federal Reserve has used a simple monetary policy rule, designed by Stanford economist John Taylor, to help them decide when to raise interest rates. Based on this the classic “Taylor rule”, it calls for US interest rates to be well above zero percent and a lot closer to 3% in the current situation. However, in a recent speech, Janet Yellen, who has already confused investors with the ever changing monetary goal posts, said that “under assumptions that

Figure 1 ICGF NAV vs MSCI ACWI (6 Jul 2007 - 31 Oct 2014)



The top 5 investments as at 31 October 2014 were Rexlot Holdings Ltd, Porsche Automobil Holdings, China Wind Power International Corp., Dah Chong Hong and QBE Insurance Group. They made up 40.31% of the total assets. At the end of October 2014, your Fund had 53.99% of its NAV in cash.

I consider more realistic under present circumstances, the same rules call for the federal funds rate to be close to zero.”

What is interesting is the response from John Taylor, who pointed out in a blog posting that Yellen made the assumption that the “equilibrium interest rate” was now zero, instead of Taylor’s estimate of 2%. Taylor wrote, “So the main argument is that if one replaces the

equilibrium federal funds rate of 2% in the Taylor rule with 0%, then, the recommended setting for the funds rate declines by two percentage points. The additional slack due to a lower natural rate of unemployment is much less important. But little or no rationale is given for slashing the equilibrium interest rate from 2% percent to 0%. She simply says “some statistical models suggest” it. In my view, there is little evidence supporting it, but this is a huge controversial issue, deserving a lot of explanation and research which I hope the Fed is doing or planning to do.”

This response from John Taylor, a well-qualified economist to do so, is very serious, as it throws into question the credibility of the entire current US monetary policy. It is not surprising then that Senate Banking Committee chairman Richard Shelby recently publicly floated the idea of putting John Taylor, who has been a big critic of the bond-buying by the Federal Reserve, on the Federal Reserve’s policy committee.

What is no less worrying about the present US monetary policy is that the dissent is coming from so many angles. Federal Reserve Bank of Kansas City President Esther George said that steady economic growth calls for the US Federal Reserve to pull back on the level of stimulus it has been providing the US economy. “You are required to look ahead” when you make interest-rate policy, Ms George said. Given the improvements in growth and what appears to be relatively stable prices, it is entirely appropriate to talk about raising rates, which she described less as a process of trying to slow the economy down as ending an emergency policy stance. She warned, “The sooner we do it the better” and cutting back on stimulus will also reduce risk taking in the financial system and lower the prospect of bubbles that could damage the broad economy. Ms. George rejected fears about deflation

and said any weakness is due to transitory factors. In addition, she said the current 5.5% unemployment rate is close to the full employment level where once it is breached, will create higher price pressures. Besides Ms George, Richmond Federal Reserve President Jeffrey Lacker and Federal Reserve Bank of St. Louis President, James Bullard, amongst others, would like to hike interest rates soon.

The NYSE has only been hearing and cheering what dovish Janet Yellen has been saying. The hawks have been side-lined. For now. Additional food for thought. The S&P 500 is trading at a 20 times PE multiple. In a very recent interview, Warren Buffett told CNN’s Poppy Harlow that there are “very few” stocks he’s looking to buy right now. “I don’t find cheap stocks to buy either,” he said, adding to follow-up questions that there were “very little” and “very few” bargains out there right now.

The NAV of the *i* Capital Global Fund can be viewed at either www.funds.icapital.biz or www.capitaldynamics.com.sg.

Best wishes,

陳鼎武

Tan Teng Boo
Managing Director
Capital Dynamics (S) Pte Ltd
19 April 2015

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31-OCT-14

	US(\$)
Income	
Dividend Income	285,476
Total investment income	<u>285,476</u>
Expenses	
Management fees	165,434
Administrative & Custodian fees	43,887
Withholding tax on dividend income	25,842
Professional fees	5,514
Other expenses	1,431
Total expenses	<u>242,108</u>
Net Investment Income	<u><u>43,368</u></u>
Gain/(loss) on investment and foreign currency transactions	
Net realised gain on securities transactions	1,518,228
Net change in unrealised loss on securities transactions	(2,990,373)
Net loss on foreign currency transactions	(338,317)
Net loss on investment and foreign currency transactions	<u><u>(1,810,462)</u></u>
Net change in net assets attributable to holders of participating shares resulting from operations	<u><u>(1,767,094)</u></u>

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31-OCT-14

	US(\$)
Assets	
Cash and cash equivalents	23,238,686
Investments in securities, at fair value (cost US\$ 20,335,040)	19,751,527
Dividends receivable	159,777
Other receivables	1,000
Total Assets	43,150,990
Liabilities	
Management fee payable	53,882
Other payables	45,604
Total Liabilities	99,486
Net assets attributable to the shareholders of the Fund	43,051,504
Net assets attributable to:	
Participating shares	43,051,494
Management shares	10
Net assets attributable to the shareholders of the Fund	43,051,504
Net asset value ("NAV") per participating share	
Based on 31,755 participating shares outstanding (July 2014: 31,902)	1,355.72

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

For the three months ended 31-OCT-14

	US(\$)
Net change in net assets attributable to holders of participating shares resulting from operations	<u>(1,767,094)</u>
Capital transactions	
Redemption of participating shares during the period	<u>(199,092)</u>
Net change in net assets attributable to holders of participating shares resulting from capital transactions	<u>(199,092)</u>
Net change in net assets attributable to holders of participating shares for the period	(1,966,186)
Net assets attributable to holders of participating shares at beginning of period	<u>45,017,680</u>
Net assets attributable to holders of participating shares at end of period	<u><u>43,051,494</u></u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the three months ended 31-OCT-14

	US(\$)
Cash flows from operating activities	
Net change in net assets attributable to holders of participating shares resulting from operations	(1,767,094)
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	6,622,510
Dividends receivable	(159,777)
Other receivables	250
Management fee payable	(2,460)
Other payables	6,182
Net cash flows generated from operating activities	<u>4,699,611</u>
Cash flows from financing activities	
Redemption of participating shares	<u>(199,092)</u>
Net cash flows used in financing activities	<u>(199,092)</u>
Net change in cash and cash equivalents for the period	4,500,519
Cash and cash equivalents at the beginning of the period	<u>18,738,167</u>
Cash and cash equivalents at the end of the period	<u><u>23,238,686</u></u>
Supplemental disclosure of cash flow information	
Dividends received	<u><u>125,699</u></u>

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31-OCT-14

	Holdings as at 31-OCT-14 No. of Shares	Fair Value as at 31-OCT-14 USD	Percentage of total net assets attributable to shareholders at 31-OCT-14 %
AUTOMOBILES			
PORSCHE AUTOMOBIL HLDG	55,000	4,500,959	10.45
CAPITAL MARKETS			
IP GROUP PLC	251,452	832,173	1.93
COMMERCIAL SERVICES & SUPPLIES			
SHANGHAI ASIA HOLDINGS LTD	1,535,000	-	0.00
DISTRIBUTORS			
DAH CHONG HONG	3,300,000	1,948,848	4.53
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	5,557,454	12.91
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS			
CHINA WINDPOWER GROUP LTD	47,080,000	3,824,508	8.89
INSURANCE			
QBE INSURANCE GROUP LTD	150,000	1,521,009	3.53
MARINE			
MERMAID MARINE AUSTRALIA LTD	600,583	982,420	2.28
METALS & MINING			
PETRA DIAMONDS LTD	220,000	584,156	1.36
		19,751,527	45.88

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to October 2014, the *i* Capital Global Fund performance is 4.24% per annum, as opposed to 0.38% per annum for the MSCI ACWI. From 1 January 2007 to 31 October 2014, funds under CDPL's management achieved a return of 4.68% per annum, outperforming the MSCI ACWI which in that period recorded 2.79% per annum.

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

Performance as at 31 OCT 2014 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	35.57	2.82
Annualised Return	4.24	0.38

* Cumulative Returns are measured since inception.
(Note: Information is current as at 31 OCT 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 fund 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 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.

© Capital Dynamics (S) Private Limited. All Rights Reserved.

® "Capital Dynamics" and "i Capital" are registered trademarks.



icapital[®]
BY Capital Dynamics

INDEPENDENCE * INTELLIGENCE * INTEGRITY

Capital Dynamics (S) Pte Ltd

8 Robinson Road, ASO Building,
#07-00, Singapore, 048544

Tel: (+65) 6224 8055/56/58

Fax: (+65) 6224 8057

www.icapital.biz

cdpl@icapital.biz