

i Capital Global Fund



Quarterly Investment Report
For the period 1 May 2015 to 31 July 2015

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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 July 2007

Minimum Investment (USD)

\$200,000 minimum

Additional Investment (USD)

\$10,000 minimum

Directors of the Fund

Che Hui Shan
Kok Tzu Wei

**Investment
Manager**

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Web site: www.capitaldynamics.com.sg

**Registered Office of the
Fund**

Deutsche Bank (Cayman) Limited
P.O. Box 1984
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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 first quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2016.

In the three months ended 31 July 2015, the net asset value (NAV) of the *i* Capital Global Fund decreased 6.32% or US\$82.711 from US\$1,308.450 to US\$1,225.739 per share. In the same period, the MSCI All Country World Index (MSCI ACWI)⁽²⁾ decreased 2.18%.

Between 6 July 2007 and 31 July 2015, the NAV of the *i* Capital Global Fund gained 22.57% or US\$225.739 from US\$1,000.000 to US\$1,225.739 per share. In the same period, the MSCI ACWI increased 4.61%.

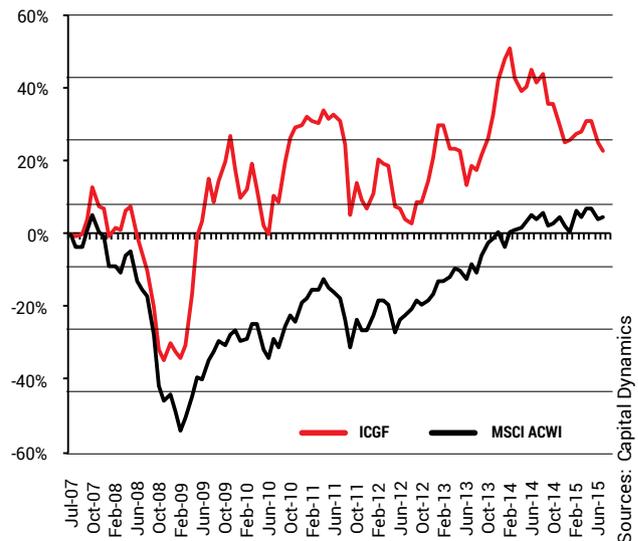
Figure 1 shows the NAV of the *i* Capital Global Fund against the performance of the MSCI ACWI since its launch which was just before the financial markets and economies were seriously affected by the 2008 US-led financial crisis. Since then, your Fund has consistently outperformed the MSCI ACWI.

The portfolio of your Fund is spread across 4 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 10.

MARKET REVIEW AND OUTLOOK

As we write this commentary, crude oil price, West Texas Intermediate basis, has broken the US\$33 per barrel mark. At the same time, the US labour market is on a tear. The December 2015 jobs reports showed 292,000 new jobs with the figures for November and October revised upward by 50,000 jobs. From an inflation standpoint, these two numbers are on the opposing sides but being able to figure where US inflation is heading is vital as it would enable one to

Figure 1 ICGF NAV vs MSCI ACWI (6 JUL 2007 - 31 JULY 2015)



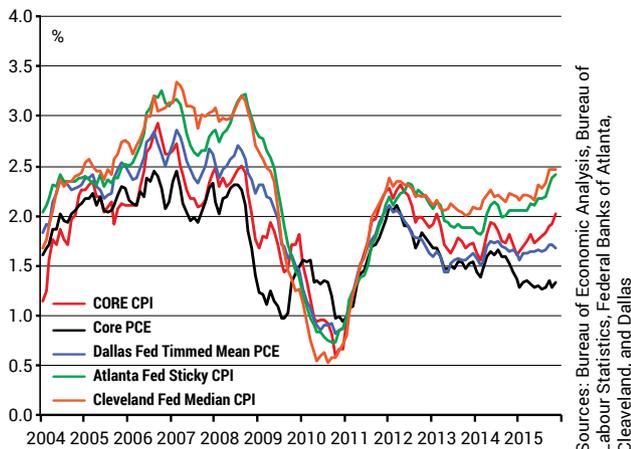
The top 4 investments as at 31 July 2015 were Porsche Automobile Holdings, Rexlot Holdings Ltd, QBE Insurance Group and Dah Chong Hong. They made up 27.69% of the total assets. At the end of July 2015, your Fund had 72.30% of its NAV in cash.

better anticipate US monetary policy. Whether the NYSE, NASDAQ and other stock markets rise or fall in the coming months is to a large extent influenced by the direction of US interest rate. So, what should investors make out of these conflicting developments?

Capital Dynamics (S) Pte Ltd has been saying for quite some time now that the US economy has already normalised and that it was high time for US monetary

policy to normalise too. In raising the federal funds target rate by a measly 25 basis points in December 2015, the Federal Open Market Committee (FOMC) finally garnered enough courage to admit that the US economy has already normalised. Thank you. In fact, it has normalised to such an extent that it is already ageing. Does this then make it right for the FOMC to hike interest rate ? First, by delaying the measly rate hike for so long, the FOMC has no choice. The only possible reason left for the FOMC not to raise interest rate was the misleadingly subdued inflation rate. The headline consumer price index (CPI) in November was unchanged from the previous month. Excluding the food and energy components, the core CPI edged up by 0.2% for the third consecutive month. Year-on-year, the headline CPI rose by 0.5%, the largest increase since December 2014, while the core CPI gained 2.0%, the strongest since May 2014. As a counter argument, the doves would then point to the falling rate of core personal consumption expenditure (PCE), a favourite inflation indicator of the Federal Reserve. Is this

Figure 2 Core Inflation Gauges Range from Steady to Accelerating (Jan 2004 - Nov 2015)



right and prudent ? Is the core PCE measuring core inflation correctly ? What if the core PCE has missed out measuring the real inflationary pressures ? Look at **Figure 2**.

Besides the usual core PCE and CPI, the interesting **Figure 2** shows 3 alternate measures of inflation. All the 3 alternate measures of inflation are expanding at a faster pace than the core PCE and core CPI and they are all pointing upwards. If these 3 alternate measures are more reliable, then, they confirm the long-held view of Capital Dynamics (S) Pte Ltd that the FOMC is way behind the monetary tightening curve and that rate hike in 2016 would have to be forcibly quicker than anticipated or desired. This view is reinforced by the strong December job report, which surpassed all expectations. For the NYSE, this is not only worrying, it is scary. From its current high level of valuation, a fall can be devastating.

For now, the *i* Capital Global Fund has more than 80% of its NAV in cash, mainly in US\$/HK\$. The NAV of your fund can be viewed at either www.capitaldynamics.com.sg or www.funds.icapital.biz

Best wishes,

陳鼎武

Tan Teng Boo
 Director
 Capital Dynamics (S) Pte Ltd
 10 January 2016

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31-JUL-15

	US(\$)
Income	
Dividend Income	209,204
Interest Income	1,327
Total investment income	<u>210,531</u>
Expenses	
Management fees	146,465
Withholding tax on dividend income	33,107
Professional fees	8,102
Administrative & Custodian fees	7,366
Other expenses	1,361
Total expenses	<u>196,401</u>
Net investment income	<u>14,130</u>
Gain/(loss) on investment and foreign currency transactions	
Net realised gain on securities transactions	1,594,919
Net change in unrealised loss on securities transactions	(4,162,282)
Net loss on foreign currency transactions	(4,574)
Net loss on investment and foreign currency transactions	<u>(2,571,937)</u>
Net change in net assets attributable to holders of participating shares resulting from operations	<u>(2,557,807)</u>

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31-JUL-15

	US(\$)
Assets	
Cash and cash equivalents	27,103,412
Investments in securities, at fair value (cost US\$ 15,526,082)	10,289,836
Other receivables	2,953
Total Assets	<u>37,396,201</u>
Liabilities	
Management fee payable	197,537
Other payables	39,286
Total Liabilities	<u>236,823</u>
Net assets attributable to the shareholders of the Fund	<u><u>37,159,378</u></u>
Net assets attributable to:	
Participating shares	37,159,368
Management shares	10
Net assets attributable to the shareholders of the Fund	<u><u>37,159,378</u></u>
Net asset value ("NAV") per participating share	
Based on 30,316 participating shares outstanding (April 2015: 31,187)	<u><u>1,225.74</u></u>

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

For the financial period ended 31-JUL-15

	US(\$)
Net change in net assets attributable to holders of participating shares resulting from operations	<u>(2,557,807)</u>
Capital transactions	
Redemption of participating shares during the financial period	<u>(1,089,274)</u>
Net change in net assets attributable to holders of participating shares resulting from capital transactions	<u>(1,089,274)</u>
Net change in net assets attributable to holders of participating shares for the period	<u>(3,647,081)</u>
Net assets attributable to holders of participating shares at beginning of period	<u>40,806,449</u>
Net assets attributable to holders of participating shares at end of period	<u><u>37,159,368</u></u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31-JUL-15

	US(\$)
Cash flows from operating activities	
Net change in net assets attributable to holders of participating shares resulting from operations	(2,557,807)
Adjustment to reconcile net change in net assets attributable to holders of participating shares resulting from operations to net cash generated from operating activities :	
Changes in operating assets and liabilities	
Investments in securities, at fair value	6,500,933
Interest receivable	393
Other receivables	336
Management fee payable	146,465
Other payables	(19,419)
Net cash flows generated from operating activities	<u>4,070,901</u>
Cash flows from financing activities	
Redemption of participating shares	(1,089,274)
Net cash flows used in financing activities	<u>(1,089,274)</u>
Net change in cash and cash equivalents for the period	2,981,627
Cash and cash equivalents at the beginning of the period	<u>24,121,785</u>
Cash and cash equivalents at the end of the period	<u><u>27,103,412</u></u>
Supplemental disclosure of cash flow information	
Dividends received	209,204
Interest received	1,235

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31-JUL-15

	Holdings as at 31-JUL-15 No. of Shares	Fair Value as at 31-JUL-15 USD	Percentage of total net assets attributable to shareholders at 31-JUL-15 %
AUTOMOBILES			
PORSCHE AUTOMOBIL HLDG	55,000	4,161,161	11.20
DISTRIBUTORS			
DAH CHONG HONG	3,300,000	1,464,500	3.94
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	3,058,138	8.23
INSURANCE			
QBE INSURANCE GROUP LTD	150,000	1,606,037	4.32
		10,289,836	27.69

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to July 2015, the *i* Capital Global Fund performance is 2.55% per annum, as opposed to 0.56% per annum for the MSCI ACWI. From 1 January 2007 to 31 July 2015, funds under CDPL's management achieved a return of 1.90% per annum, underperforming the MSCI ACWI which in that period recorded 2.75% per annum.

The Fund's performance for the *i* Capital Global Fund as at 31 July 2015 is shown below:

Performance as at 31 JUL 2015 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	22.57	4.61
Annualised Return	2.55	0.56

* Cumulative Returns are measured since inception.

(Note: Information is current as at 31 JUL 2015.)

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\$200m, 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 investment 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 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

OTHER INFORMATION

and July 2015, CDAM achieved a net compound return of 14.40% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year except in year 2009, 2010, 2012, 2013 and 2014, which gained 6.09% 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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