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Administrator

HSBC Trustee (Cayman) Limited

Administrator's Delegate

HSBC Institutional Trust Services (Singapore)
Limited

Custodian of the Fund

HSBC Trustee (Cayman) Limited

Legal Advisers to Cayman Law

Walkers

Legal Advisers to Singapore Law

Rajah & Tann

Auditors to the Fund

PricewaterhouseCoopers Cayman

i Capital Global Fund

Second Quarter 2012 Report for the six months ended 31 October 2011

i CAPITAL GLOBAL FUND

Second Quarter 2012 Report of the Fund Manager
for the six months ended 31 October 2011

Performance

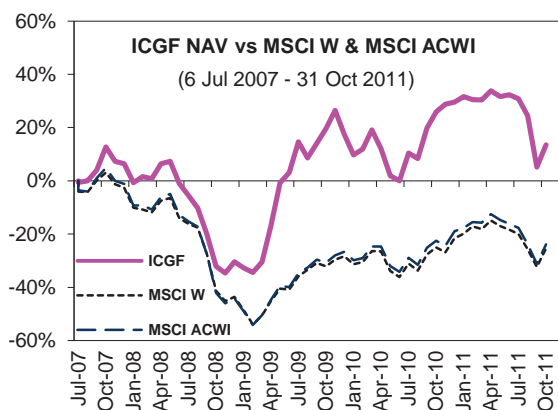
This is the second quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2012.

In the six months ended 31 October 2011, the net asset value (NAV) of the *i* Capital Global Fund dropped 15.19% or US\$203.198 from US\$1,337.908 to US\$1,134.710 per share. In the same period, the MSCI World Index⁽¹⁾ fell 12.34% and the MSCI ACWI Index⁽²⁾ declined 13.03%.

Between 6 July 2007 and 31 October 2011, the net asset value (NAV) of the *i* Capital Global Fund gained 13.47% or US\$134.710 from US\$1,000.000 to US\$1,134.710 per share. In the same period, the MSCI World Index plunged 25.38% and the MSCI ACWI Index slumped 23.91%.

Figure 1 shows the NAV of the *i* Capital Global Fund against the performance of the two MSCI benchmark indices 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 two MSCI benchmark indices.

Figure 1



In the three months ended 31 October 2011, your Fund sold some of its holdings in St Galler Kantonalbank.

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 in page 8.

The top 5 investments as at 31 October 2011 are Rexlot Holdings Ltd, Mermaid Marine Australia Ltd, Beijing Capital Land Ltd, Porsche Automobil Holdings SE and St Galler Kantonalbank. They make up 43.16% of the total assets. At the end of October 2011, your Fund had 53.5% of its NAV in cash.

Strategy

Since 2008, the global economy has been “progressing” from crisis to crisis. There seems no end in sight. Greece has had the 2nd election in six weeks and although the feared victory of Alex Tsipras from Syriza did not materialise, the results were not clear cut. With the fifth consecutive year of recession, high unemployment, wage and pension cuts, the fierce debate between more austerity and growth will persist. In addition, given the current slowdown in many economies, including that of China and the US, and the volatile market environment, should investors then jump ship?

In the 2012 Gathering of your Fund held in Kuala Lumpur on 19 May, I have said that your Fund’s NAV in the coming months will decline, for obvious reasons. However, I also advised that this will be an excellent time to invest in the *i* Capital Global Fund. Why?

First, tough times do not last forever. Given the 4 years of economic and financial calamity, all of which were caused by the developed Western economies, it is easy to lose one’s patience and perspectives. Look beyond that. The advice below from Burton Malkiel (Professor of Economics at Princeton University) recently written in the Financial Times, is indeed very timely.

“Investors have been fleeing to “safety”. US 10-year Treasury yields fell to less than 1.5 per cent earlier in

June, a level not seen since 1946 when interest rates were pegged Some very short-term Federal rates were negative Global equity markets have fallen sharply. Investors appear to be far more concerned with the return of, rather than a return on, their money. Since 2008, more than \$1tn has been moved from equity funds to bond funds.”

“But does this flight to so-called havens really provide investors with the protection they desire? Or, are bond buyers making a huge mistake that is likely to guarantee them a period of negative real (after inflation) returns? Bond investors face virtually sure losses and equities are as attractive as they have been in a generation.”

“We can illustrate the fundamental unattractiveness of bonds with the US market. The buyer of a 10-year US Treasury bond at a 1.5 per cent yield to maturity will receive a nominal return well below the current rate of inflation and below the Federal Reserve’s informal target rate of inflation of 2 per cent. Thus, even if inflation does not accelerate, long-term US Treasuries will provide a negative real rate of return. If inflation does accelerate, that real rate of return will be further reduced.”

“It is important to remember what happened to bond investors the last time that Treasury bond yields were at 1.5 per cent, in 1946” and thereafter, bond prices remained fairly stable. “Moderate inflation reduced the real value of both coupon payments and the face value of the bonds, and bondholders lost considerable purchasing power. And that was only the beginning of the pain.”

“Interest rates began to rise to more normal levels and bond prices started to fall and, by the end of the 1970s, bond yields had increased to double-digit levels. Thus, bond owners not only earned negative real income returns but also suffered punishing capital losses Investors should be mindful of history.”

“The easier path for the US government is to keep interest rates artificially low as the real burden of the debt is reduced and the debt is restructured on the backs of the bondholders. We reduced the debt to

gross domestic product ratio in the US from 122 per cent in 1946 to 33 per cent in 1980. But it was achieved at the expense of bondholders. Equities are reasonably priced and are downright cheap in comparison with bond alternatives. Price-to-earnings multiples and multiples of book values are below recent averages.....Emerging market equities are even cheaper.”

“A generation ago there was widespread dissatisfaction with equities. In the 1970s, equities produced negative real rates of return. Business Week described the situation as “the death of equities”. Shares then produced spectacular double-digit returns until the turn of the century. Today, “death of equities” talk is equally widespread. No one can tell when global equity markets will shake off the intractable pessimism that characterises investors. But I would submit that equity investments in today’s market environment entail less risk than the “haven” bond investments favoured by so many investors.”

In fact, I would go even further than Professor Malkiel. Most investors do not realise that today’s widespread negative sentiment and today’s fragile equity markets are actually very vulnerable to positive surprises or developments. Imagine when the US\$1 trillion of funds flow back from bond funds to equity funds.

Tan Teng Boo
Managing Director
Capital Dynamics (S) Pte Ltd
19 June 2012

(1): MSCI World Index: A free float-adjusted market capitalisation weighted index which consists of 24 developed markets.

(2): MSCI ACWI Index: A free float-adjusted market capitalisation weighted index which consists of 45 country indices, comprising 24 developed and 21 emerging market country indices. This includes the stock markets of China, which the ICGF cannot invest in at this time.

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 31 October 2011

	For the six months ended 31/10/2011 US\$
Income	
Dividend income	227,585
Interest income	3,632
Net foreign exchange loss	(2,398,356)
Other net changes on financial assets and financial liabilities at fair value through profit or loss	<u>(5,127,692)</u>
Total income	<u>(7,294,831)</u>
Expenses:	
Management fees	356,204
Administrative & Custodian fees	45,833
Transaction expenses	28,752
Audit fees	9,430
Other operating expenses	<u>5,620</u>
Total operating expenses	<u>445,839</u>
Loss before tax	(7,740,670)
Withholding tax on dividends and other investment income	(10,322)
Decrease in net assets attributable to holders of participating shares from operations (at bid market prices)	<u>(7,750,992)</u>
Adjustment from bid market prices to last traded market prices	(75,544)
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	<u>(7,826,536)</u>

i CAPITAL GLOBAL FUND

BALANCE SHEET (UNAUDITED)

As at 31 October 2011

	US\$
ASSETS	
Current Assets	
Financial assets at fair value through profit or loss	20,822,568
Other receivables	95
Cash and cash equivalents	23,229,726
Total Assets	<u>44,052,389</u>
Equity	
Management shares	10
Total Equity	<u>10</u>
LIABILITIES	
Current Liabilities	
Accrued expenses and other payables	260,093
Liabilities (excluding net assets attributable to holders of participating shares)	<u>260,093</u>
Net assets attributable to holders of participating shares (at bid market prices)	<u>43,792,286</u>
Represented by:	
Net assets attributable to holders of participating shares (at last traded market prices)	43,856,632
Adjustment from last traded market prices to bid market prices	(64,346)
	<u>43,792,286</u>
Net assets attributable to holders of participating shares (at bid market prices)	43,792,286
	<u>43,792,286</u>
Net assets value per holders of participating shares at bid market prices, based on 38,647 shares (2011: 38,801 shares) outstanding	1,133.14
	<u>1,133.14</u>

i CAPITAL GLOBAL FUND

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 October 2011

	Number of shares	US\$
Equity at beginning of the period	10	10
Issue of management shares	-	-
Equity at end of financial period	10	10

i CAPITAL GLOBAL FUND

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

For the six months ended 31 October 2011

	Number of shares	US\$
Net assets attributable to holders of participating shares at the beginning of the period (at last traded market prices)	38,801	51,912,335
Issue of participating shares during the period	606	749,885
Redemption of participating shares during the period	(760)	(979,052)
Net decrease from share transactions	(154)	(229,167)
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	-	(7,826,536)
Net assets attributable to holders of participating shares at end of the period (at last traded market prices)	38,647	43,856,632

CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 October 2011

	US\$
Cash flows from operating activities	
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	(7,826,536)
Adjustment for:	
Last traded market prices to bid market prices	75,544
Dividend income	(227,585)
Interest income	(3,632)
Tax expense	10,322
Interest expense	-
Operating cash flow before working capital changes	(7,971,887)
Changes in operating assets and liabilities	
Net change in financial assets at fair value through profit or loss	12,211,287
Net decrease in other assets	52,610
Net decrease in other liabilities	(33,132)
Cash provided by operations	4,258,878
Dividend received, net of withholding tax	782,319
Interest received	3,632
Net cash provided by operating activities	5,044,829
Cash flows from financing activities	
Interest paid	-
Proceeds from participating shares issued	749,885
Redemption of participating shares	(979,052)
Net cash used in financing activities	(229,167)
Net increase in cash and cash equivalents held	4,815,662
Cash and cash equivalents at the beginning of the financial period	18,414,064
Cash and cash equivalents at the end of the financial period	23,229,726

i CAPITAL GLOBAL FUND**SCHEDULE OF SECURITIES**

As at 31 October 2011

	Holdings as at 31/10/2011 No. of Shares	Fair Value as at 31/10/2011 USD	Percentage of total net assets attributable to shareholders at 31/10/2011 %
AUTOS & TRUCKS			
PORSCHE PFD NPV	55,000	3,253,441	7.43
DEPARTMENT STORES			
NEW WORLD DEPARTMENT STORE	1,270,000	845,576	1.93
FINANCE			
REXLOT HOLDINGS LTD	76,875,000	5,445,106	12.43
ST GALLER KANTONALBANK	4,575	2,006,948	4.58
INVESTMENT			
K GREEN TRUST	100,000	71,503	0.16
MISCELLANEOUS			
SHANGHAI ASIA HLDGS LTD	1,535,000	210,929	0.48
IP GROUP PLC	700,000	790,909	1.81
REAL ESTATE			
BEIJING CAPITAL LAND LTD H SHR	15,000,000	3,844,173	8.78
TRANSPORT - SHIP			
MERMAID MARINE AUSTRALIA LTD NPV	1,332,420	4,353,983	9.94
		20,822,568	47.54

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 October 2011, the *i* Capital Global Fund's performance is 2.96% per annum, as opposed to -6.54% per annum for the MSCI World Index (MSCI W) and -6.12% per annum for the MSCI ACWI Index (MSCI ACWI). From 1 January 2007 to 31 October 2011, funds under CDPL's management achieved a return of 5.03% per annum, outperforming the MSCI W and MSCI ACWI which in that period recorded -4.01% and -3.45% per annum respectively.

The Fund's performance for the *i* Capital Global Fund as at 31 October 2011 is shown below:

Performance as at 31 October 2011 (%)			
(US\$)	ICGF	MSCI W	MSCI ACWI
Cumulative *	13.47	-25.38	-23.91
Annualised Return	2.96	-6.54	-6.12

**Cumulative Returns are measured since inception*

Capital Dynamics (Australia) Ltd (CDAL), a wholly owned subsidiary of CDPL, 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. 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 April 1998 and October 2011, CDAM achieved a net compound return of 19.53% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 6.70% 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 Sdn Bhd, the first independent investment adviser in Malaysia. It provides top quality advice on investments through *i* Capital, its weekly report, and www.icapital.biz, the Internet edition. It supervises 5 portfolios with the oldest starting as far back as September 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 or political or government organisation. Being owner-operated, the continuity and consistency of the investment approach adopted by the group is assured.

(Note: Information is current as at 31 October 2011.)