

## DIRECTORY FOR THE FUND

### ***Directors of the Fund***

Tan Teng Boo  
Chew Poh Imm, Claudine

### ***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](mailto:cdpl@icapital.biz)  
Web site: [www.capitaldynamics.com.sg](http://www.capitaldynamics.com.sg)

### ***Registered Office of the Fund***

c/o HSBC Trustee (Cayman) Limited  
P.O. Box 484  
HSBC House  
68 West Bay Road  
Grand Cayman KY 1-1106  
Cayman Islands

### ***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**

## **Third Quarter 2012 Report for the nine months ended 31 January 2012**

# **i CAPITAL GLOBAL FUND**

Third Quarter 2012 Report of the Fund Manager  
for the nine months ended 31 January 2012

## **Performance**

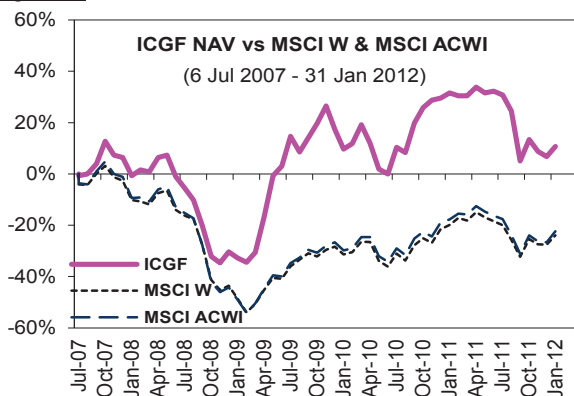
This is the third quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2012.

In the nine months ended 31 January 2012, the net asset value (NAV) of the *i* Capital Global Fund dropped 17.23% or US\$230.522 from US\$1,337.908 to US\$1,107.386 per share. In the same period, the MSCI World Index<sup>(1)</sup> fell 10.64% and the MSCI ACWI Index<sup>(2)</sup> declined 11.28%.

Between 6 July 2007 and 31 January 2012, the net asset value (NAV) of the *i* Capital Global Fund gained 10.74% or US\$107.386 from US\$1,000.000 to US\$1,107.386 per share. In the same period, the MSCI World Index plunged 23.94% and the MSCI ACWI Index slumped 22.38%.

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**



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 7.

The top 5 investments as at 31 January 2012 are Rexlot Holdings Ltd, Mermaid Marine Australia Ltd, Beijing Capital Land Ltd, Porsche Automobil Holdings SE and St Galler Kantonalbank. They make up 42.22% of the total assets. At the end of January 2012, your Fund had 53.5% of its NAV in cash.

## **Strategy**

The investment philosophy that is driving the *i* Capital Global Fund is value investing. Value investing is simple in concept. When investing, a value investor compares the price and the underlying value of a company and would invest if the company is attractively priced in relation to this value. Conceptually, it is as simple as that. Despite its simplicity, value investing is not a popular investing style. Why? In reality, it can be difficult to practise. It demands two qualities that are not commonly found among investors – patience and discipline. As a consequence, investors often focus only on prices, ignoring the underlying values. To paraphrase Oscar Wilde, such investors know everything about price and nothing about value. Looking at your Fund from such a perspective would cause investors to be worried as the NAV drops but if one looks deeper, the situation can be vastly different.

Take Mermaid Marine (listed on the ASX) or RexLot (listed on the HKEx) or even a bank like St Galler Kantonalbank (listed on Zurich). While their share prices have dropped, their business performance has been resilient and strong. In comparison with the global banking giants like UBS, Barclays or JP Morgan, St Galler Kantonalbank looks like Fort Knox. At the same time as Mermaid Marine and RexLot continue to report strong business results and to enjoy attractive prospects, their share prices have not moved in tandem. Unfortunately, the NAV of your Fund reflects only their share prices and no more than that.

Nevertheless, the recent falls in your Fund's NAV were already anticipated in the 2012 Gathering held in Kuala Lumpur on 19 May. More importantly, we had expected the fall to be only temporary. As such, we had advised investors then to be ready and to take advantage of this drop and the divergence between the companies underlying values and their share prices (or your Fund's NAV). No one really knows when the global economy will stabilise and when investors' sentiment will improve but for your Fund to be a value investor, you have to be a value investor. Do not know everything about price and nothing about value.

Best wishes.

Tan Teng Boo  
Managing Director  
Capital Dynamics (S) Pte Ltd  
28 August 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 nine months ended 31 January 2012

---

	<b>For the nine months ended 31/01/2012 US\$</b>
<b>Income</b>	
Dividend income	239,809
Interest income	4,139
Net foreign exchange loss	(2,398,676)
Other net changes on financial assets and financial liabilities at fair value through profit or loss	(6,034,779)
<b>Total income</b>	<u><b>(8,189,507)</b></u>
<b>Expenses:</b>	
Management fees	513,836
Administrative & Custodian fees	64,420
Transaction expenses	28,752
Audit fees	20,235
Other operating expenses	17,292
<b>Total operating expenses</b>	<u><b>644,535</b></u>
<b>Loss before tax</b>	<b>(8,834,042)</b>
Withholding tax on dividends and other investment income	(10,322)
<b>Decrease in net assets attributable to holders of participating shares from operations (at bid market prices)</b>	<u><b>(8,844,364)</b></u>
Adjustment from bid market prices to last traded market prices	(53,065)
<b>Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)</b>	<u><b>(8,897,429)</b></u>

**BALANCE SHEET (UNAUDITED)**

As at 31 January 2012

---

	US\$
<b>ASSETS</b>	
<b>Current Assets</b>	
Financial assets at fair value through profit or loss	19,915,481
Other receivables	10
Cash and cash equivalents	22,739,270
<b>Total Assets</b>	<b>42,654,761</b>
<b>Equity</b>	
Management shares	10
<b>Total Equity</b>	<b>10</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accrued expenses and other payables	239,413
<b>Liabilities (excluding net assets attributable to holders of participating shares)</b>	<b>239,413</b>
<b>Net assets attributable to holders of participating shares (at bid market prices)</b>	<b>42,415,338</b>
<b>Represented by:</b>	
Net assets attributable to holders of participating shares (at last traded market prices)	42,502,163
Adjustment from last traded market prices to bid market prices	(86,825)
Net assets attributable to holders of participating shares (at bid market prices)	42,415,338
Net assets value per holders of participating shares at bid market prices, based on 38,381 shares (2011: 38,801 shares) outstanding	1,105.11

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the nine months ended 31 January 2012

	2012			
	Share Capital		Other reserves US\$	Total US\$
	Number of shares	US\$		
Equity at beginning of the period	10	10	(139,890)	(139,880)
Adjustment from bid market prices to last traded market prices attributable to holders of participating shares	-	-	53,065	53,065
<b>Equity at end of financial period</b>	<b>10</b>	<b>10</b>	<b>(86,825)</b>	<b>(86,815)</b>

	2011			
	Share Capital		Other reserves US\$	Total US\$
	Number of shares	US\$		
Equity at beginning of the year	10	10	(135,486)	(135,476)
Adjustment from bid market prices to last traded market prices attributable to holders of participating shares	-	-	(4,404)	(4,404)
<b>Equity at end of financial year</b>	<b>10</b>	<b>10</b>	<b>(139,890)</b>	<b>(139,880)</b>

*i* CAPITAL GLOBAL FUND

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

For the nine months ended 31 January 2012

---

	Number of shares	US\$
<b>Net assets attributable to holders of participating shares at the beginning of the period (at last traded market prices)</b>	<b>38,801</b>	<b>51,912,335</b>
Issue of participating shares during the period	699	849,872
Redemption of participating shares during the period	(1,119)	(1,362,615)
Net decrease from share transactions	(420)	(512,743)
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	-	(8,897,429)
<b>Net assets attributable to holders of participating shares at end of the period (at last traded market prices)</b>	<b>38,381</b>	<b>42,502,163</b>

---

**CASH FLOW STATEMENT (UNAUDITED)**

For the nine months ended 31 January 2012

---

	US\$
<b>Cash flows from operating activities</b>	
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	(8,897,429)
Adjustment for:	
Last traded market prices to bid market prices	53,065
Dividend income	(239,809)
Interest income	(4,139)
Tax expense	10,322
Interest expense	-
<b>Operating cash flow before working capital changes</b>	<u>(9,077,990)</u>
Changes in operating assets and liabilities	
Net decrease in financial assets at fair value through profit or loss	13,118,374
Net decrease in other assets	52,695
Net decrease in other liabilities	(53,812)
	<u>13,117,257</u>
<b>Cash provided by operations</b>	<b>4,039,267</b>
Dividend received, net of withholding tax	794,543
Interest received	4,139
<b>Net cash provided by operating activities</b>	<u><b>4,837,949</b></u>
<b>Cash flows from financing activities</b>	
Proceeds from participating shares issued	849,872
Redemption of participating shares	(1,362,615)
<b>Net cash used in financing activities</b>	<u><b>(512,743)</b></u>
<b>Net increase in cash and cash equivalents held</b>	<b>4,325,206</b>
Cash and cash equivalents at the beginning of the financial period	18,414,064
<b>Cash and cash equivalents at the end of the financial period</b>	<u><b>22,739,270</b></u>

**SCHEDULE OF SECURITIES**

As at 31 January 2012

---

	<b>Holdings as at 31/01/2012 No. of Shares</b>	<b>Fair Value as at 31/01/2012 USD</b>	<b>Percentage of total net assets attributable to shareholders at 31/01/2012 %</b>
<b>AUTOS &amp; TRUCKS</b>			
PORSCHE PFD NPV	55,000	3,357,615	7.92
<b>DEPARTMENT STORES</b>			
NEW WORLD DEPARTMENT STORE	1,270,000	763,196	1.80
<b>FINANCE</b>			
REXLOT HOLDINGS LTD	76,875,000	5,254,207	12.39
ST GALLER KANTONALBANK	4,575	1,818,358	4.29
<b>INVESTMENT</b>			
K GREEN TRUST	100,000	80,424	0.19
<b>MISCELLANEOUS</b>			
SHANGHAI ASIA HOLDINGS LTD	1,535,000	213,899	0.50
IP GROUP PLC	700,000	955,509	2.25
<b>REAL ESTATE</b>			
BEIJING CAPITAL LAND LTD H SHR	15,000,000	3,365,788	7.94
<b>TRANSPORT - SHIP</b>			
MERMAID MARINE AUSTRALIA LTD NPV	1,332,420	4,106,485	9.68
		<b>19,915,481</b>	<b>46.96</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 January 2012, the *i* Capital Global Fund's performance is 2.25% per annum, as opposed to -5.80% per annum for the MSCI World Index (MSCI W) and -5.38% per annum for the MSCI ACWI Index (MSCI ACWI). From 1 January 2007 to 31 January 2012, funds under CDPL's management achieved a return of 4.37% per annum, outperforming the MSCI W and MSCI ACWI which in that period recorded -3.45% and -2.90% per annum respectively.

The Fund's performance for the *i* Capital Global Fund as at 31 January 2012 is shown below:

Performance as at 31 January 2012 (%)			
(US\$)	ICGF	MSCI W	MSCI ACWI
Cumulative *	10.74	-23.94	-22.38
Annualised Return	2.25	-5.80	-5.38

\*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 January 2012, CDAM achieved a net compound return of 19.63% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 6.72% 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 January 2012.)