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Directors of the Fund

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Investment Manager

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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

**First Quarter 2013 Report for
the three months ended
31 July 2012**

i Capital Global Fund

First Quarter 2013 Report of the Fund Manager
for the three months ended 31 July 2012

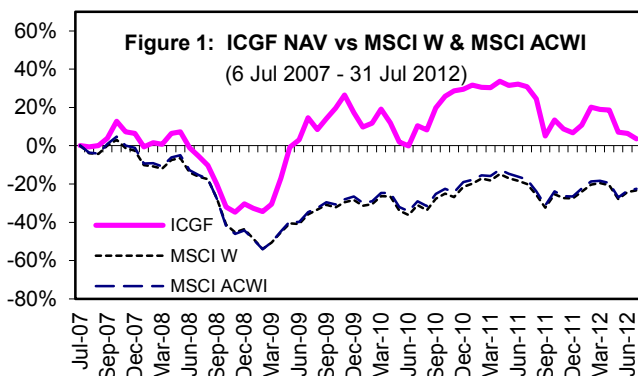
Performance

This is the first quarterly report of the *i Capital Global Fund* for the financial year ended 30 April 2013.

In the three months ended 31 July 2012, the net asset value (NAV) of the *i Capital Global Fund* dropped 12.71% or US\$150.809 from US\$1,186.538 to US\$1,035.729 per share. In the same period, the MSCI World Index⁽¹⁾ fell 4.25% and the MSCI ACWI Index⁽²⁾ declined 5.92%.

Between 6 July 2007 and 31 July 2012, the NAV of the *i Capital Global Fund* gained 3.57% or US\$35.729 from US\$1,000.000 to US\$1,035.729 per share. In the same period, the MSCI World Index plunged 23.34% and the MSCI ACWI Index slumped 22.54%.

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.



The portfolio of your Fund is spread across 12 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 July 2012 are Rexlot Holdings Ltd, Beijing Capital Land Ltd, Petra Diamonds Ltd, Mermaid Marine Australia Ltd, and Porsche Automobil Holding SE PFD. They make up 51.06% of the total assets. At the end of July 2012, your Fund had 32.4% of its NAV in cash.

Strategy

The 2008 US-led global financial crisis was a watershed event. Amongst many others, it has ushered in an era of unpredictability.

First, we had the shocking collapse or devastation of many gigantic Western financial institutions – names like Lehman Brothers, AIG, UBS, RBS, Barclays, Fannie Mae, General Motors, etc. sent shockwaves across the oceans.

Then, who could believe that China can single handedly rescue the collapsing global economy in 2009, and allow many economies to decouple from the major Western economies?

Mother Nature played havoc too, with catastrophes ranging from earthquakes to floods to tsunami to eruptions, etc.

America, the world's largest economy, suffered a high profile humiliating, first ever rating downgrade when her politicians refused to accept the harsh new economic and financial realities that her own gross economic mismanagement has created. Since then, the American politicians have just been kicking the can down the street while the Federal Reserve is carefully watching how liquidity addicted the US economy has become.

Even as the United States elected her first ever non-white president and re-elected him in 2012, we all learnt that Bernie Madoff, Lance Armstrong and an army of other Americans have been lying to their teeth to the rest of the world and inflicting so much sufferings onto so many innocent people. The UK and Europe have had their fair shares of liars as millions of Europeans have discovered in the last 4 to 5 years of the Euro crisis.

After decades of hard work, Europe is scrambling to salvage the Union and the Euro. Before 2008, who would have thought that this wealthy continent would be facing years of hardship and political turmoil?

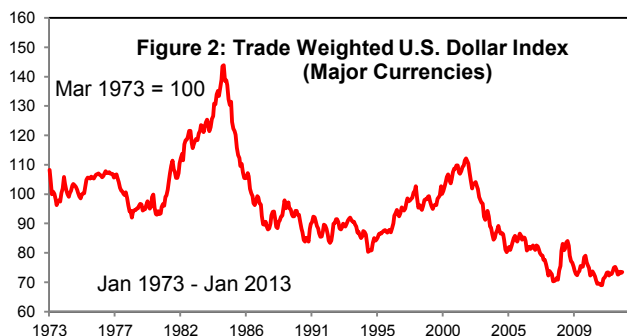
Japan has had her fair share of shocking surprises as the iconic Japanese brands of Toyota, Olympus, etc. were all proven to be vulnerable to defects and deceptions. Oil poor and oil hungry Japan would have never thought that the day they have to close all their nuclear plants would come. Even Switzerland is now no longer a tax haven as cash-starved America goes after her long list of tax evading citizens who have been hiding their assets in this wealthy neutral nation.

The Democratic Party of Japan won the 2009 general election with a landslide victory, kicking the Liberal Democratic Party out of almost unbroken power since 1955 to usher in a new era of Japanese politics. 4 years later, Abe of the LDP promises another “new” era. Tunisia, Libya and Egypt gave the world a rude awakening with their effective mass demonstrations and 2 years later, they are surprised at the lack of progress towards achieving a civil society.

As 2013 moves on, what unexpected events can we expect?

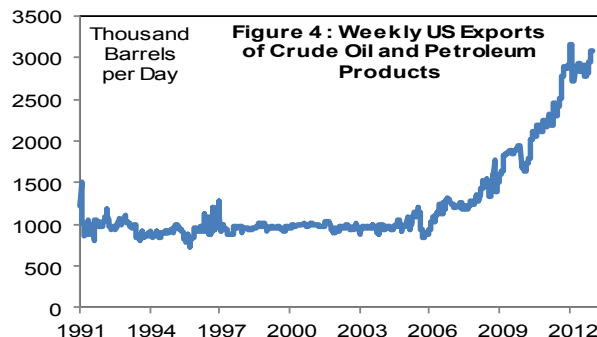
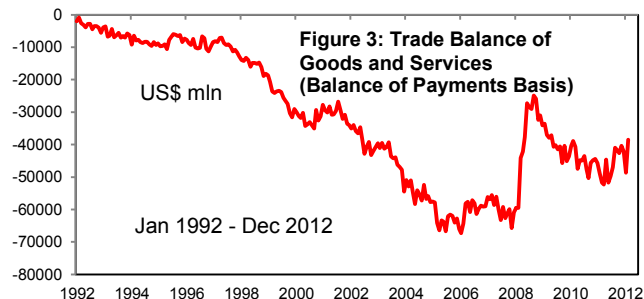
When the managing director of Capital Dynamics (S) Pte Ltd was interviewed in Bloomberg Hong Kong on 24 January 2013 (this interview is still available for viewing in www.capitaldynamics.com.sg), he said that gold price peaked in 2011. A good reason for gold price to fall is that the global economy, after 5 years of hiatus created by the profligacy of the Americans and Europeans, is regaining some senses of normalcy. The secular global economic boom (or as we would prefer to call it, the *i* Capital Long Boom), caused by China’s transformation, is reasserting itself.

A second reason is that the US\$ is set to appreciate, not just against the Yen but against most other currencies. **Figure 2** illustrates the trade weighted US\$ index against the major currencies. After falling for 10 odd years, this index has formed a major bottom. Why should the US\$ reverse its fall?



The US economic recovery is becoming more widespread and more sustainable than what most fund managers and analysts have expected. US stocks have fallen after Federal Reserve minutes showed that the Fed may scale back economic stimulus much earlier than anticipated. Several participants at the 29-30 Jan Federal Open Market Committee meeting “*emphasized that the committee should be prepared to vary the pace of asset purchases, either in response to changes in the economic outlook or as its evaluation of the efficacy and costs of such purchases evolved*”.

Then, the US trade deficit reached its lowest point in 2005-2007 and is set to sustain its improvement – see **Figure 3**. Energy import is one of the major and persistent causes of America’s trade deficit. US net imports of crude oil and petroleum products have been falling. This is due to 2 factors. Imports of such items have been falling and exports have been rising – see **Figure 4**



A sustainable US economic recovery, an early exit from unprecedented quantitative easing aka currency depreciation, possibly a net exporter of oil and gas products and a much lower US trade deficit are all powerful factors pointing towards a stronger US\$ in the coming years. In an era of the unpredictability, Capital Dynamics would place its forecast of a stronger US\$ as one of its key forecasts.

Best wishes.

Tan Teng Boo
 Managing Director
 Capital Dynamics (S) Pte Ltd
 22 February 2013

(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.

i CAPITAL GLOBAL FUND

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 July 2012

	For the three months ended 31/07/2012 US\$
Income	
Dividend income	222,089
Interest income	708
Net foreign exchange loss	(2,721)
Other net changes on financial assets and financial liabilities at fair value through profit or loss	(5,554,306)
Total income	(5,334,230)
Expenses:	
Management fees	147,251
Administrative & Custodian fees	20,961
Transaction expenses	-
Audit fees	4,922
Other operating expenses	2,642
Total operating expenses	175,776
Loss before tax	(5,510,006)
Withholding tax on dividends and other investment income	(13,791)
Decrease in net assets attributable to holders of participating shares from operations (at bid market prices)	(5,523,797)
Adjustment from bid market prices to last traded market prices	(60,302)
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	(5,584,099)

i CAPITAL GLOBAL FUND

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 July 2012

	US\$
ASSETS	
Current Assets	
Financial assets at fair value through profit or loss	26,299,370
Other receivables	2,760
Cash and cash equivalents	12,409,502
Total Assets	<u>38,711,632</u>
Equity	
Management shares	10
Total Equity	<u>10</u>
LIABILITIES	
Current Liabilities	
Accrued expenses and other payables	124,912
Liabilities (excluding net assets attributable to holders of participating shares)	<u>124,912</u>
Net assets attributable to holders of participating shares (at bid market prices)	<u>38,586,710</u>
Represented by:	
Net assets attributable to holders of participating shares (at last traded market prices)	38,664,554
Adjustment from last traded market prices to bid market prices	<u>(77,844)</u>
Net assets attributable to holders of participating shares (at bid market prices)	<u>38,586,710</u>
Net assets value per holders of participating shares at bid market prices, based on 37,330 shares (30 April 2012: 37,020 shares) outstanding	<u>1,033.66</u>

i CAPITAL GLOBAL FUND

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 July 2012

	31 July 2012			
	Share Capital		Other reserves	Total
	Number of shares	US\$	US\$	US\$
Equity at beginning of the period	10	10	(138,146)	(138,136)
Adjustment from bid market prices to last traded market prices attributable to holders of participating shares	-	-	60,302	60,302
Equity at end of financial period	10	10	(77,844)	(77,834)

	30 April 2012			
	Share Capital		Other reserves	Total
	Number of shares	US\$	US\$	US\$
Equity at beginning of the year	10	10	(139,890)	(139,880)
Adjustment from bid market prices to last traded market prices attributable to holders of participating shares	-	-	1,744	1,744
Equity at end of financial year	10	10	(138,146)	(138,136)

i CAPITAL GLOBAL FUND

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

For the three months ended 31 July 2012

	Number of shares	US\$
Net assets attributable to holders of participating shares at the beginning of the period (at last traded market prices)	37,020	43,926,735
Issue of participating shares during the period	660	694,897
Redemption of participating shares during the period	(350)	(372,979)
Net decrease from share transactions	310	321,918
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	-	(5,584,099)
Net assets attributable to holders of participating shares at end of the period (at last traded market prices)	37,330	38,664,554

i CAPITAL GLOBAL FUND

STATEMENT OF CASH FLOWS (UNAUDITED)

For the three months ended 31 July 2012

	US\$
Cash flows from operating activities	
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	(5,584,099)
Adjustment for:	
Last traded market prices to bid market prices	60,302
Dividend income	(222,089)
Interest income	(708)
Tax expense	13,791
Operating cash flow before working capital changes	(5,732,803)
Changes in operating assets and liabilities	
Net decrease in financial assets at fair value through profit or loss	5,554,307
Net decrease in other assets	30,243
Net decrease in other liabilities	43,298
Cash used in operations	(104,955)
Dividend received, net of withholding tax	658,709
Interest received	484
Net cash used in operating activities	554,238
Cash flows from financing activities	
Proceeds from participating shares issued	694,897
Redemption of participating shares	(372,979)
Net cash used in financing activities	321,918
Net increase in cash and cash equivalents held	876,156
Cash and cash equivalents at the beginning of the financial period	11,533,346
Cash and cash equivalents at the end of the financial period	12,409,502

i CAPITAL GLOBAL FUND**SCHEDULE OF SECURITIES***As at 31 July 2012*

	Holdings as at 31/07/2012 No. of Shares	Fair Value as at 31/07/2012 USD	Percentage of total net assets attributable to shareholders at 31/07/2012 %
AUTOS & TRUCKS			
PORSCHE AUTOMOBIL HOLDING SE PFD	55,000	2,827,947	7.33
CONSUMER			
PETRA DIAMONDS LTD	2,000,000	3,757,186	9.74
DEPARTMENT STORES			
NEW WORLD DEPARTMENT STORE	1,270,000	676,469	1.75
ENTERTAINMENT			
DISCOVERY COMMUNICATION INC COM	14,000	652,680	1.69
FINANCE			
REXLOT HOLDINGS LTD	76,875,000	4,858,196	12.59
ST GALLER KANTONALBANK	4,575	1,573,543	4.08
INVESTMENT			
K GREEN TRUST	100,000	77,959	0.20
MISCELLANEOUS			
SHANGHAI ASIA HOLDINGS LTD	1,535,000	204,790	0.53
IP GROUP PLC	700,000	1,547,528	4.01
REAL ESTATE			
BEIJING CAPITAL LAND LTD H SHR	15,000,000	4,584,937	11.88
TRANSPORT - SHIP			
MERMAID MARINE AUSTRALIA LTD NPV	1,332,420	3,673,691	9.52
UTIL-ELECTRIC			
CHINA WINDPOWER GROUP LTD	64,250,000	1,864,444	4.83
		26,299,370	68.15

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 July 2012, the *i* Capital Global Fund performance is 0.69% per annum, as opposed to -5.10% per annum for the MSCI World Index (MSCI W) and -4.91% per annum for the MSCI ACWI Index (MSCI ACWI). From 1 January 2007 to 31 July 2012, funds under CDPL's management achieved a return of 3.07% per annum, outperforming the MSCI W and MSCI ACWI which in that period recorded -1.39% and -0.97% per annum respectively.

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

Performance as at 31 July 2012 (%)			
(US\$)	ICGF	MSCI W	MSCI ACWI
Cumulative	*3.57	-23.34	-22.54
Annualised Return	0.69	-5.10	-4.91

*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.

CDAM has been consistently reporting positive returns since its inception. Between April 1998 and July 2012, CDAM achieved a net compound return of 19.34% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 7.01% 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 organization. Being owner-operated, the continuity and consistency of the investment approach adopted by the group is assured.

(Note: Information is current as at 31 July 2012.)

