

## **DIRECTORY FOR THE FUND**

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

Tan Teng Boo  
Chew Poh Imm

### ***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)  
Website: [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 2013 Report for  
the nine months ended  
31 January 2013**

# **i Capital Global Fund**

Third Quarter 2013 Report of the Fund Manager  
for the nine months ended 31 January 2013

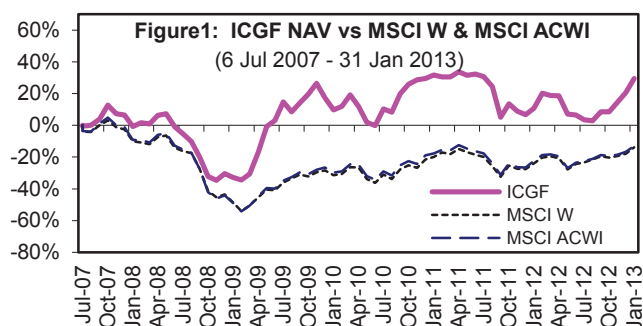
## **Performance**

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

In the nine months ended 31 January 2013, the net asset value (NAV) of the *i* Capital Global Fund increased 9.13% or US\$108.355 from US\$1,186.538 to US\$1,294.893 per share. In the same period, the MSCI World Index<sup>(1)</sup> increased 8.62% and the MSCI ACWI Index<sup>(2)</sup> increased 8.04%.

Between 6 July 2007 and 31 January 2013, the NAV of the *i* Capital Global Fund gained 29.49% or US\$294.893 from US\$1,000.000 to US\$1,294.893 per share. In the same period, the MSCI World Index plunged 13.85% and the MSCI ACWI Index slumped 12.96%.

**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 13 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 January 2013 are Beijing Capital Land Ltd, Rexlot Holdings Ltd, Mermaid Marine Australia Ltd, Porsche Automobil Holding SE PFD and Discovery Communications Inc.. They make up 59.67% of the total assets. At the end of January 2013, your Fund had 10.97% of its NAV in cash.

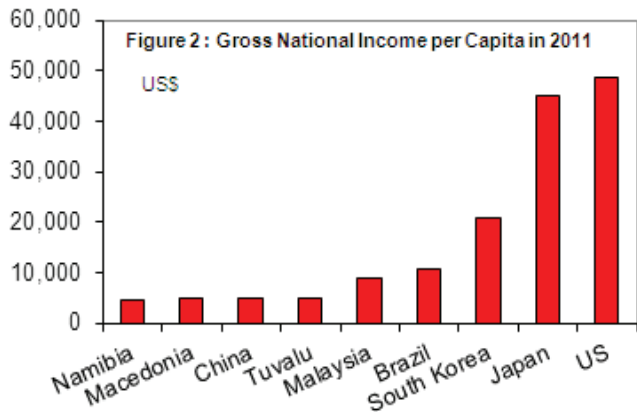
## **Strategy**

On 23 May 2013, the Tokyo stock market plunged 7.3% in a single day, which was followed by more falls. On 31 May 2013, the New York stock market plunged more than 200 points in a single day. Markets were rattled by renewed fears of the global economy slowing down again.

In the US, Chairman Bernanke started the ball rolling when he spoke about ending the Federal Reserve bond purchases. At the same time, unemployment in the Eurozone touched a fresh high in April 2013, as the jobless rate rose to 12.2% from 12.1% in March. An estimated 19.4m people in the Eurozone were unemployed. To add further salt into Abe's wound, even as late as April 2013, Japan remained trapped in deflation. All of a sudden, as the old fears about the global economy re-surfaced, China's official purchasing managers' index rose to 50.8 in May 2013 from 50.6 in April, beating market expectations and raising optimism that the world's second-largest economy is stabilizing well. Will China, an economy that is highly crucial for the global economy, come to the rescue again?

When one reads reports concerning the high frequency economic figures, there can be a lot of noises surrounding them. In order to prevent such noises from distracting investors, it is useful to stand back and take a broader and longer-term view. China's headline GDP growth is not as eye popping as before 2007. It was intended to be this way. China knows that her economy has to adjust to a different growth platform and this is precisely what her leaders and policymakers have been doing except that they have been doing it silently instead of reacting to the useless "noises."

The top Chinese leaders and policymakers are really not concerned whether China is the 2nd largest or the largest economy in the world or whether she has the most drones in the world. Her leaders and policymakers are sensible and practical enough to be focused on the fact that China's per capita income is still at an extremely low level – see **Figure 2** for comparison with selected countries.



In 2011, according to the World Bank, China's gross national income per capita of US\$4,940 ranked 114th in the world and over 170 million Chinese people still live below the US\$1.25-a-day international poverty line. After 30 plus years of rapid growth, China still has the second largest number of poor people in the world after India but improving from being the largest to the second largest is one heck of an achievement. For China's leaders and policymakers, poverty reduction remains a fundamental challenge. While the US still has high unemployment rate, 170 million poor Chinese folks are more than half of

America's population. Moving them away from poverty as speedily as possible is a key policy aim.

For investors, what the above facts imply is simple. If your only concern is with this month's or this quarter's GDP, then, you are missing the huge global forest and only seeing the roots, not even the trees. The key thing to monitor is China moving up from the 114th to the 14th place, for example. That is when the fun, at least for the genuine long-term investors, begins.

Tan Teng Boo  
 Managing Director  
 Capital Dynamics (S) Pte Ltd  
 2 June 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 nine months ended 31 January 2013

---

	<b>For the nine months ended 31/01/2013 US\$</b>
<b>Income</b>	
Dividend income	519,813
Interest income	2,417
Net foreign exchange gain	5,947
Other net changes on financial assets and financial liabilities at fair value through profit or loss	4,096,896
<b>Total income</b>	<b>4,625,073</b>
<b>Expenses:</b>	
Management fees	464,909
Administrative & Custodian fees	60,148
Transaction expenses	20,367
Audit fees	17,731
Other operating expenses	18,064
<b>Total operating expenses</b>	<b>581,219</b>
<b>Profit before tax</b>	<b>4,043,854</b>
Withholding tax on dividends and other investment income	(13,791)
<b>Increase in net assets attributable to holders of participating shares from operations (at bid market prices)</b>	<b>4,030,063</b>
Adjustment from bid market prices to last traded market prices	(26,725)
<b>Increase in net assets attributable to holders of participating shares from operations (at last traded market prices)</b>	<b>4,003,338</b>

**i CAPITAL GLOBAL FUND**

**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

As at 31 January 2013

---

	US\$
<b>ASSETS</b>	
<b>Current Assets</b>	
Financial assets at fair value through profit or loss	42,317,509
Other receivables	4,091
Cash and cash equivalents	5,217,595
<b>Total Assets</b>	<b><u>47,539,195</u></b>
<b>Equity</b>	
Management shares	10
<b>Total Equity</b>	<b><u>10</u></b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accrued expenses and other payables	81,631
<b>Liabilities (excluding net assets attributable to holders of participating shares)</b>	<b><u>81,631</u></b>
<b>Net assets attributable to holders of participating shares (at bid market prices)</b>	<b><u>47,457,554</u></b>
<b>Represented by:</b>	
Net assets attributable to holders of participating shares (at last traded market prices)	47,568,975
Adjustment from last traded market prices to bid market prices	<u>(111,421)</u>
Net assets attributable to holders of participating shares (at bid market prices)	<u>47,457,554</u>
Net assets value per holders of participating shares at bid market prices, based on 36,736 shares (30 April 2012: 37,020 shares) outstanding	<u>1,291.85</u>

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

For the nine months ended 31 January 2013

	31 January 2013			
	Share Capital		Other reserves US\$	Total US\$
	Number of shares	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	-	-	26,725	26,725
<b>Equity at end of financial period</b>	<b>10</b>	<b>10</b>	<b>(111,421)</b>	<b>(111,411)</b>

	30 April 2012			
	Share Capital		Other reserves US\$	Total US\$
	Number of shares	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
<b>Equity at end of financial year</b>	<b>10</b>	<b>10</b>	<b>(138,146)</b>	<b>(138,136)</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 2013

---

	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>37,020</b>	<b>43,926,735</b>
Issue of participating shares during the period	719	754,893
Redemption of participating shares during the period	(1,003)	(1,115,991)
Net decrease from share transactions	(284)	(361,098)
Increase in net assets attributable to holders of participating shares from operations (at last traded market prices)	-	4,003,338
<b>Net assets attributable to holders of participating shares at end of the period (at last traded market prices)</b>	<b>36,736</b>	<b>47,568,975</b>

**i CAPITAL GLOBAL FUND**

**STATEMENT OF CASH FLOWS (UNAUDITED)**

For the nine months ended 31 January 2013

---

	<b>US\$</b>
<b>Cash flows from operating activities</b>	
Increase in net assets attributable to holders of participating shares from operations (at last traded market prices)	4,003,338
Adjustment for:	
Last traded market prices to bid market prices	26,725
Dividend income	(519,813)
Interest income	(2,417)
Tax expense	13,791
<b>Operating cash flow before working capital changes</b>	<b>3,521,624</b>
Changes in operating assets and liabilities	
Net increase in financial assets at fair value through profit or loss	(10,463,832)
Net decrease in other assets	30,243
Net increase in other liabilities	17
<b>Cash used in operations</b>	<b>(6,911,948)</b>
Dividend received, net of withholding tax	955,160
Interest received	2,135
<b>Net cash used in operating activities</b>	<b>(5,954,653)</b>
<b>Cash flows from financing activities</b>	
Proceeds from participating shares issued	754,893
Redemption of participating shares	(1,115,991)
<b>Net cash used in financing activities</b>	<b>(361,098)</b>
<b>Net decrease in cash and cash equivalents held</b>	<b>(6,315,751)</b>
Cash and cash equivalents at the beginning of the financial period	11,533,346
<b>Cash and cash equivalents at the end of the financial period</b>	<b>5,217,595</b>



**i CAPITAL GLOBAL FUND****SCHEDULE OF SECURITIES**

As at 31 January 2013

	<b>Holdings as at 31/01/2013 No. of Shares</b>	<b>Fair Value as at 31/01/2013 US\$</b>	<b>Percentage of total net assets attributable to shareholders at 31/01/2013 %</b>
<b>AUTOS &amp; TRUCKS</b>			
PORSCHE AUTOMOBIL HOLDING SE PFD	55,000	4,793,726	10.10
<b>CONSUMER</b>			
PETRA DIAMONDS LTD	2,000,000	3,446,768	7.26
<b>DEPARTMENT STORES</b>			
NEW WORLD DEPARTMENT STORE	1,270,000	849,888	1.79
<b>ENTERTAINMENT</b>			
DISCOVERY COMMUNICATIONS INC	70,000	4,459,700	9.40
<b>FINANCE</b>			
REXLOT HOLDINGS LTD	76,875,000	6,542,131	13.79
ST GALLER KANTONALBANK	4,575	1,930,745	4.07
<b>INVESTMENT</b>			
K GREEN TRUST	100,000	84,020	0.18
<b>MISCELLANEOUS</b>			
DAH CHONG HONG	3,300,000	3,812,520	8.03
IP GROUP PLC	700,000	1,370,622	2.89
SHANGHAI ASIA HOLDINGS LTD	1,535,000	105,409	0.22
<b>REAL ESTATE</b>			
BEIJING CAPITAL LAND LTD	15,000,000	6,904,777	14.55
<b>TRANSPORT - SHIP</b>			
MERMAID MARINE AUSTRALIA LTD	1,332,420	5,614,714	11.83
<b>UTIL-ELECTRIC</b>			
CHINA WINDPOWER GROUP LTD	64,250,000	2,402,489	5.06
		<b>42,317,509</b>	<b>89.17</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 2013, the *i* Capital Global Fund performance is 4.74% per annum, as opposed to -2.64% per annum for the MSCI World Index (MSCI W) and -2.46% per annum for the MSCI ACWI Index (MSCI ACWI). From 30 August 2006 to January 2013, funds under CDPL's management achieved a return of 5.35% per annum, outperforming the MSCI W and MSCI ACWI which in that period recorded 0.92% and 0.53% per annum respectively.

The Fund's performance for the *i* Capital Global Fund as at 31 January 2013 is shown below:

Performance as at 31 January 2013 (%)			
(US\$)	ICGF	MSCI W	MSCI ACWI
Cumulative *	29.49	-13.85	-12.96
Annualised Return	4.74	-2.64	-2.46

\*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 January 2013, CDAM achieved a net compound return of 18.56% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 6.74% 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 2013.)