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Custodian of the Fund

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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 2014 Report for the six months ended 31 October 2013

i Capital Global Fund

Second Quarter 2014 Report of the Fund Manager
For the six months ended 31 October 2013

Performance

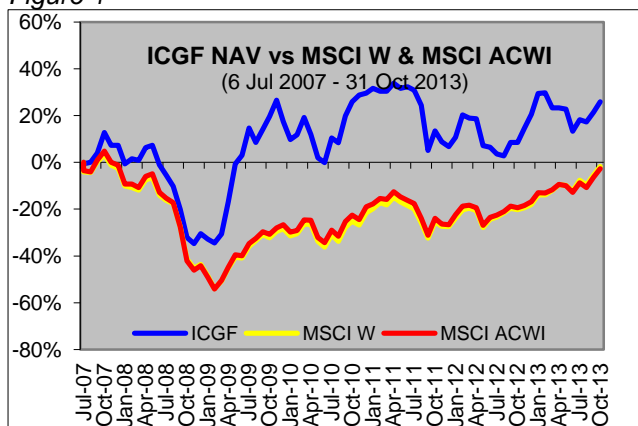
This is the second quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2014.

In the six months ended 31 October 2013, the net asset value (NAV) of the *i* Capital Global Fund increased 2.10% or US\$25.845 from US\$1,232.645 to US\$1,258.490 per share. In the same period, the MSCI World Index⁽¹⁾ increased 8.58% and the MSCI ACWI⁽²⁾ increased 7.49%.

Between 6 July 2007 and 31 October 2013, the NAV of the *i* Capital Global Fund gained 25.85% or US\$258.49 from US\$1,000.000 to US\$1,258.490 per share. In the same period, the MSCI World Index edged down 1.75% and the MSCI ACWI decreased 2.66%.

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 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 October 2013 are Rexlot Holdings Ltd, Porsche Automobil Holding SE PFD, Mermaid Marine Australia Ltd, Petra Diamonds Ltd and Dah Chong Hong Holdings Ltd. They make up 52.18% of the total assets. At the end of October 2013, your Fund had 26.54% of its NAV in cash.

Strategy

We all know the success of Warren Buffett as an investor. Many of us can quote his famous sayings, advice and confidently talk about his value investing philosophy. There are sadly very few people who can put into practise what they admire so much about Warren Buffett.

The FORTUNE magazine recently featured an exclusive excerpt from his latest shareholder letter. For this commentary, Capital Dynamics (S) Pte Ltd would want to share some key points from this interesting piece.

In 1986, he bought a farm near Omaha for US\$280,000. He knew nothing much about operating a farm. What he knew were a few basic facts about long-term economics of farming like how many bushels of corn and soybeans the farm would produce, what the operating expenses would be, that productivity would improve over time and that crop prices would move higher. From these estimates, he figured that the normalised return from the farm would be around 10%. He was able to conclude that the investment had no downside and potentially had substantial upside. There would be the bad crop, and commodity prices would disappoint. Now, 28 years

later, the farm has tripled its earnings and is worth five times or more than what he paid for.

In 1993, he made a small investment in a New York property adjacent to New York University. The property was yielding about 10% but was not well managed. There were several vacant stores and the largest tenant was paying rent of about US\$5 per foot, compared with US\$70 for others. The property's location was superb. Annual distributions from the property now exceed 35% of his initial investment and due to refinancing, there were special distributions totalling more than 150% of what he had invested. He has yet to view the said property.

What is Buffett telling us about successful investing?

Own your businesses, your companies, own your shares. Do not hold them temporarily. During the "extraordinary financial panic that occurred late in 2008", he never gave a thought to selling his farm or New York property.

He added, *"And if I had owned 100% of a solid business with good long-term prospects, it would have been foolish for me to even consider dumping it. So why would I have sold my stocks that were small participations in wonderful businesses?"*

Buffett gave more investing insights: *"When Charlie Munger and I buy stocks -- which we think of as small portions of businesses -- our analysis is very similar to that which we use in buying entire businesses. We first have to decide whether we can sensibly estimate an earnings range for five years out or more. If the answer is yes, we will buy the stock (or business) if it sells at a reasonable price in relation to the bottom boundary of our estimate."*

This brings us to investors of the *i* Capital Global fund. Just like there would be the bad crops, and commodity prices would disappoint, the NAV of *i* Capital Global fund is bound to fluctuate, sometimes more than other times but over time, the NAV trends upwards. Like your properties or businesses, be an owner, instead of just being a transient holder. Buffett disclosed that with his two property investments, he thought only of what the properties would produce and

did not care at all about their daily valuations. A major difference between his property investments and an investment in stocks is that the stocks provide minute-to-minute pricing, whereas this does not exist for his farm or New York property.

Buffett's next advice sums up the right attitude, the right mindset necessary for successful investing most aptly:

"If you can enjoy Saturdays and Sundays without looking at stock prices, give it a try on weekdays"
– Warren Buffett.

How very true and a good reason why we have a monthly NAV instead of a daily NAV. Not only does Warren Buffett invest well, he expresses his thoughts very clearly too. If you focus on the prospective price change of a contemplated purchase, he is sceptical of those who claim sustained success at doing so. Owners of stocks too often let the whimsical and irrational behaviour of their fellow investors cause them to behave irrationally as well. Those who can sit patiently for decades when they own a property or a business often become crazy and frenetic when they are exposed to a stream of stock prices and media commentators telling them "Don't just sit there - do something." For these investors, Buffett said that liquidity is transformed from the unqualified benefit it should be into a curse.

The NAV of the *i* Capital Global Fund can be viewed at either www.capitaldynamics.com.sg or www.funds.icapital.biz.

Best wishes,
Tan Teng Boo
Director
Capital Dynamics (S) Pte Ltd
14 April 2014

(1): MSCI World Index: A free float-adjusted market capitalisation weighted index which consists of 23 developed markets.

(2): MSCI ACWI: A free float-adjusted market capitalisation weighted index which consists of 45 country indices, comprising 23 developed markets and 21 emerging market countries. This includes the stock markets of China, which ICGF cannot invest in at this time.

i CAPITAL GLOBAL FUND

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 31 October 2013

	For the six months ended 31/10/2013 US\$
Income	
Dividend income	654,924
Interest income	577
Net foreign exchange loss	(62,478)
Other net changes on financial assets at fair value through profit or loss	741,045
Total income	<u>1,334,068</u>
Expenses	
Management fees	324,424
Administrative & custodian fees	84,280
Audit fees	9,917
Other operating expenses	2,664
Total operating expenses	<u>421,285</u>
Profit before tax	912,783
Withholding tax on dividends and other investment income	(86,581)
Increase in net assets attributable to holders of participating shares from operations (at last traded market prices)	<u>826,202</u>

i CAPITAL GLOBAL FUND

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 October 2013

	US\$
ASSETS	
Current assets	
Financial assets at fair value through profit or loss	32,138,266
Other receivables	168,702
Cash and cash equivalents	<u>11,914,731</u>
Total assets	<u>44,221,699</u>
EQUITY	
Management shares	<u>10</u>
Total equity	<u>10</u>
LIABILITIES	
Current liabilities	
Accrued expenses and other payables	<u>101,198</u>
Liabilities (excluding net assets attributable to holders of participating shares)	<u>101,198</u>
Net assets attributable to holders of participating shares (at last traded market prices)	<u>44,120,491</u>
Net assets value per share attributable to holders of participating shares at last traded market prices, based on 35,058 shares (30 April 2013: 36,242 shares) outstanding	<u>1,258.49</u>

i CAPITAL GLOBAL FUND

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 October 2013

	31 October 2013			
	Share Capital		Other Reserves US\$	Total US\$
	Number of shares	US\$		
Equity at beginning of the period	10	10	(174,623)	(174,613)
Adjustment from bid market prices to last traded market prices attributable to holders of participating shares	-	-	174,623	174,623
Equity at end of the period	10	10	-	10

	30 April 2013			
	Share Capital		Other Reserves US\$	Total US\$
	Number of shares	US\$		
Equity at beginning of financial year	10	10	(138,146)	(138,136)
Adjustment from bid market prices to last traded market prices attributable to holders of participating shares	-	-	(36,477)	(36,477)
Equity at end of financial year	10	10	(174,623)	(174,613)

i CAPITAL GLOBAL FUND

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

For the six months ended 31 October 2013

	Number of Shares	US\$
Net assets attributable to holders of participating shares, 1 May 2013 (at last traded market prices)	36,242	44,673,653
Issue of participating shares during the period	557	680,000
Redemption of participating shares during the period	(1,741)	(2,059,364)
Net decrease from share transactions	(1,184)	(1,379,364)
Increase in net assets attributable to holders of participating shares from operations (at last traded market prices)	-	826,202
Net assets attributable to holders of participating shares, 31 October 2013 (at last traded market prices)	35,058	44,120,491

i CAPITAL GLOBAL FUND

STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 31 October 2013

	US\$
Cash flows from operating activities	
Increase in net assets attributable to holders of participating shares from operations (at last traded market prices)	826,202
Adjustments for:	
Dividend income	(654,924)
Interest income	(577)
Tax expense	86,581
Currency translation loss	3,723
Operating cash flow before working capital changes	<u>261,005</u>
Changes in operating assets and liabilities:	
Net change in financial assets at fair value through profit or loss	10,531,075
Net change in other receivables	(66)
Net change in accrued expenses and other payables	(427,783)
Net cash used in operations	<u>10,364,231</u>
Dividend received, net of withholding tax	878,897
Interest received	577
Net cash used in operating activities	<u>11,243,705</u>
Cash flows from financing activities	
Proceeds from participating shares issued	680,000
Redemption of participating shares	(2,059,364)
Net cash used in financing activities	<u>(1,379,364)</u>
Net decrease in cash and cash equivalents	9,864,341
Cash and cash equivalents, 1 May 2013	2,054,113
Effects of currency translation on cash and cash equivalents	(3,723)
Cash and cash equivalents, 31 October 2013	<u>11,914,731</u>

i CAPITAL GLOBAL FUND**SCHEDULE OF SECURITIES (UNAUDITED)**

As at 31 October 2013

	Holdings as at 31/10/2013 No. of Shares	Fair Value as at 31/10/2013 USD	Percentage of total net assets attributable to shareholders at 31/10/2013 %
AUTOMOBILES			
PORSCHE AUTOMOBIL HLDG	55,000	5,157,227	11.69
CAPITAL MARKETS			
IP GROUP PLC	700,000	1,651,494	3.74
COMMERCIAL BANKS			
ST GALLER KANTONALBANK	2,852	1,163,471	2.64
COMMERCIAL SERVICES & SUPPLIES			
K GREEN TRUST	100,000	82,625	0.19
SHANGHAI ASIA HOLDINGS LTD	1,535,000	-	-
DISTRIBUTORS			
DAH CHONG HONG	3,300,000	2,800,722	6.35
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	76,875,000	6,742,551	15.28
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS			
CHINA WINDPOWER GROUP LTD	64,250,000	2,569,006	5.82
INSURANCE			
QBE INSURANCE GROUP LTD	150,000	2,100,453	4.76
MARINE			
MERMAID MARINE AUSTRALIA LTD	1,332,420	4,727,509	10.71
METALS & MINING			
PETRA DIAMONDS LTD	2,000,000	3,595,087	8.15
REAL ESTATE MANAGEMENT & DEVELOPMENT			
BEIJING CAPITAL LAND LTD H SHR	4,302,000	1,548,121	3.51
		32,138,266	72.84

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 2013, the *i* Capital Global Fund performance is 3.70% per annum, as opposed to -0.28% per annum for the MSCI World Index (MSCI W) and -0.43% per annum for the MSCI ACWI. From 1 January 2007 to 31 October 2013, funds under CDPL's management achieved a return of 4.51% per annum, outperforming the MSCI W and MSCI ACWI which in that period recorded 2.33% and 2.40% per annum respectively.

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

Performance as at 31 October 2013 (%)			
(US\$)	ICGF	MSCI W	MSCI ACWI
Cumulative *	25.85	-1.75	-2.66
Annualised Return	3.70	-0.28	-0.43

*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 October 2013, CDAM achieved a net compound return of 17.61% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 7.12% 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 2013.)

