

## **DIRECTORY FOR THE FUND**

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

Tan Teng Boo  
Chew Poh Imm, Claudine

### ***Investment Manager***

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

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### ***Administrator***

Deutsche Bank AG, Singapore Branch

### ***Custodian of the Fund***

Deutsche Bank AG, Singapore Branch

### ***Legal Advisers to Cayman Law***

Walkers

### ***Legal Advisers to Singapore Law***

Rajah & Tann

### ***Auditors to the Fund***

Ernst & Young, Cayman Islands

## **i Capital Global Fund**

**Third Quarter 2014 Report for  
the nine months ended  
31 January 2014**



# **i Capital Global Fund**

Third Quarter 2014 Report of the Fund Manager  
For the nine months ended 31 January 2014

## **Performance**

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

In the nine months ended 31 January 2014, the net asset value (NAV) of the *i* Capital Global Fund increased 19.65% or US\$242.215 from US\$1,232.645 to US\$1,474.860 per share. In the same period, the MSCI World Index<sup>(1)</sup> increased 8.29% and the MSCI ACWI<sup>(2)</sup> increased 6.09%.

Between 6 July 2007 and 31 January 2014, the NAV of the *i* Capital Global Fund gained 47.49% or US\$474.86 from US\$1,000.000 to US\$1,474.86 per share. In the same period, the MSCI World Index edged down 2.02% and the MSCI ACWI Index decreased 3.93%.

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.

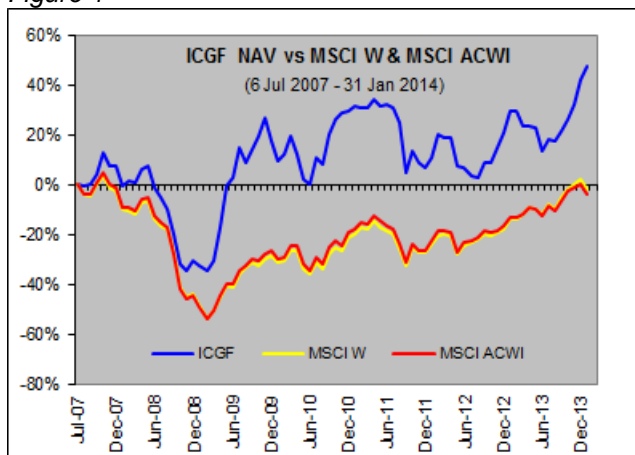
The portfolio of your Fund is spread across 10 companies that are engaged in a wide range of business activities – see the Schedule of Securities in page 9.

The top 5 investments as at 31 January 2014 are Rexlot Holdings Ltd, Porsche Automobil Holding SE PFD, China Windpower Group Ltd, Petra Diamonds Ltd and IP Group PLC. They make up 55.31% of the total assets. At the end of January 2014, your Fund had 33.48% of its NAV in cash.

(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.

Figure 1



## Strategy

When investing, we always assume that there will be global peace. Given the fact that the last global military conflict was seven decades ago, indeed many of us take global peace for granted. While there are good reasons for assuming so, investors need to be mindful of what can go wrong and how this can happen. In this context, understanding America's foreign policy and her real soft power is useful, especially when America is once again taking a leadership role in Asia-Pacific and emboldening many of her allies.

For this quarter's commentary, Capital Dynamics (Singapore) Pte Ltd will share an article written by Henry Farrell and Martha Finnemore in the November/December 2013 issue of "Foreign Affairs", a highly respected publication.

### "The End of Hypocrisy" American Foreign Policy in the Age of Leaks

By Henry Farrell and Martha Finnemore,  
Associate professor and professor of Political  
Science at George Washington University.

*"The U.S. government seems outraged that people are leaking classified materials about its less attractive behavior. It certainly acts that way: three years ago, after Chelsea Manning, an army private then known as Bradley Manning, turned over hundreds of thousands of classified cables to the anti-secrecy group WikiLeaks, U.S. authorities imprisoned the soldier under conditions that the UN special rapporteur on torture deemed cruel and inhumane. The Senate's top Republican, Mitch McConnell, appearing on Meet the Press shortly thereafter, called WikiLeaks' founder, Julian Assange, "a high-tech terrorist."*

*"More recently, following the disclosures about U.S. spying programs by Edward Snowden, a former National Security Agency analyst, U.S. officials spent a great deal of diplomatic capital trying to convince other countries to deny Snowden refuge. And U.S. President Barack Obama canceled a long-anticipated*

*summit with Russian President Vladimir Putin when he refused to comply".*

*"Despite such efforts, however, the U.S. establishment has often struggled to explain exactly why these leakers pose such an enormous threat. Indeed, nothing in the Manning and Snowden leaks should have shocked those who were paying attention..... Snowden has most certainly compromised sources and methods, but he has revealed nothing that was really unexpected."*

According to Henry Farrell and Martha Finnemore, *"The deeper threat that leakers such as Manning and Snowden pose is more subtle than a direct assault on U.S. national security: they undermine Washington's ability to act hypocritically and get away with it. Their danger lies not in the new information that they reveal but in the documented confirmation they provide of what the United States is actually doing and why..... Few U.S. officials think of their ability to act hypocritically as a key strategic resource. Indeed, one of the reasons American hypocrisy is so effective is that it stems from sincerity: most U.S. politicians do not recognize just how two-faced their country is. Yet as the United States finds itself less able to deny the gaps between its actions and its words, it will face increasingly difficult choices -- and may ultimately be compelled to start practicing what it preaches".*

*"Hypocrisy is central to Washington's soft power - its ability to get other countries to accept the legitimacy of its actions - yet few Americans appreciate its role..... Of course, the United States is far from the only hypocrite in international politics. But the United States' hypocrisy matters more than that of other countries. That's because most of the world today lives within an order that the United States built..... the international order remains an American one."*

*"This system needs the lubricating oil of hypocrisy to keep its gears turning..... the recent leaks have shown (that) Washington is also unable to consistently abide by the values that it trumpets..... Of course, the United States has gotten away with*

*hypocrisy for some time now.” Henry Farrell and Martha shared many examples of this.*

*“The reason the United States has until now suffered few consequences for such hypocrisy is that other states have a strong interest in turning a blind eye..... Moreover, the United States can punish those who point out the inconsistency in its actions by downgrading trade relations or through other forms of direct retaliation..... Since few countries ever point out the nakedness of U.S. hypocrisy, and since those that do can usually be ignored, American politicians have become desensitized to their country’s double standards. But thanks to Manning and Snowden, such double standards are getting harder and harder to ignore.”*

More importantly, *“Manning’s and Snowden’s leaks mark the beginning of a new era in which the U.S. government can no longer count on keeping its secret behavior secret”*. As a result, the U.S. government, its friends, and its foes can no longer plausibly deny the dark side of U.S. foreign policy and will have to address it head-on. Henry Farrell and Martha Finnemore concluded that *“Secrecy can be defended as a policy in a democracy. Blatant hypocrisy is a tougher sell. Voters accept that they cannot know everything that their government does, but they do not like being lied to. If the United States is to reduce its dangerous dependence on doublespeak, it will have to submit to real oversight and an open democratic debate about its policies. The era of easy hypocrisy is over”*.

As countries get closer to actual military conflicts, the well written article by professors Henry Farrell and Martha Finnemore should be read again and again. Global peace is very fragile and can be easily broken.

The NAV of the *i* Capital Global Fund can be viewed at either [www.capitaldynamics.com.sg](http://www.capitaldynamics.com.sg) or [www.funds.icapital.biz](http://www.funds.icapital.biz).

Best wishes,  
Tan Teng Boo  
Director  
Capital Dynamics (S) Pte Ltd  
10 June 2014

## **i CAPITAL GLOBAL FUND**

### **STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the nine months ended 31 January 2014

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	<b>For the nine months ended 31/1/2014</b>
	<b>US\$</b>
<b>Income</b>	
Dividend income	654,924
Interest income	672
Net foreign exchange loss	(147,898)
Other net changes on financial assets and financial liabilities at fair value through profit or loss	8,572,088
<b>Total income</b>	<b><u>9,079,786</u></b>
<b>Expenses</b>	
Management fees	507,511
Administrative & custodian fees	109,572
Audit fees	16,831
Other operating expenses	5,082
<b>Total operating expenses</b>	<b><u>638,996</u></b>
<b>Profit before tax</b>	<b>8,440,790</b>
Withholding tax on dividends and other investment income	(86,581)
<b>Increase in net assets attributable to holders of participating shares from operations (at last traded market prices)</b>	<b><u>8,354,209</u></b>

## **i CAPITAL GLOBAL FUND**

### **STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

As at 31 January 2014

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	<b>US\$</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Financial assets at fair value through profit or loss	33,359,495
Other receivables	2,495,154
Cash and cash equivalents	<u>14,318,320</u>
<b>Total assets</b>	<b><u>50,172,969</u></b>
<b>EQUITY</b>	
Management shares	<u>10</u>
<b>Total equity</b>	<b><u>10</u></b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accrued expenses and other payables	<u>92,931</u>
<b>Liabilities (excluding net assets attributable to holders of participating shares)</b>	<b><u>92,931</u></b>
<b>Net assets attributable to holders of participating shares (at last traded market prices)</b>	<b><u>50,080,028</u></b>
<b>Represented by:</b>	
Net assets attributable to holders of participating shares (at last traded market prices)	50,080,028
Net assets value per holders of participating shares at last traded market prices, based on 33,956 shares (30 April 2013: 36,242 shares) outstanding	<u>1,474.86</u>

## **i CAPITAL GLOBAL FUND**

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

For the nine months ended 31 January 2014

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	<b>31 January 2014</b>			
	<b>Share Capital</b>		<b>Other Reserves US\$</b>	<b>Total US\$</b>
	<b>Number of shares</b>	<b>US\$</b>		
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
<b>Equity at end of the period</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>10</b>

	<b>30 April 2013</b>			
	<b>Share Capital</b>		<b>Other Reserves US\$</b>	<b>Total US\$</b>
	<b>Number of shares</b>	<b>US\$</b>		
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)
<b>Equity at end of financial year</b>	<b>10</b>	<b>10</b>	<b>(174,623)</b>	<b>(174,613)</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 2014

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	Number of Shares	US\$
<b>Net assets attributable to holders of participating shares, 1 May 2013 (at last traded market prices)</b>	<b>36,242</b>	<b>44,673,653</b>
Issue of participating shares during the period	595	730,000
Redemption of participating shares during the period	(2,881)	(3,677,834)
Net decrease from share transactions	(2,286)	(2,947,834)
Increase in net assets attributable to holders of participating shares from operations (at last traded market prices)	-	8,354,209
<b>Net assets attributable to holders of participating shares, 31 January 2014 (at last traded market prices)</b>	<b>33,956</b>	<b>50,080,028</b>

## **i CAPITAL GLOBAL FUND**

### **STATEMENT OF CASH FLOWS (UNAUDITED)**

For the nine months ended 31 January 2014

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	<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)	8,354,209
Adjustments for:	
Dividend income	(654,924)
Interest income	(672)
Tax expense	86,581
Currency translation loss	3,723
<b>Operating cash flow before working capital changes</b>	<b>7,788,917</b>
Changes in operating assets and liabilities:	
Net change in financial assets at fair value through profit or loss	9,309,846
Net change in other receivables	(2,495,082)
Net change in other accrued expenses and other payables	(436,050)
<b>Cash generated from operations</b>	<b>14,167,631</b>
Dividend received, net of withholding tax	1,047,461
Interest received	672
<b>Net cash generated from operating activities</b>	<b>15,215,764</b>
<b>Cash flows from financing activities</b>	
Proceeds from participating shares issued	730,00
Redemption of participating shares	(3,677,834)
<b>Net cash used in financing activities</b>	<b>(2,947,834)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,267,930</b>
Cash and cash equivalents, 1 May 2013	2,054,113
Effects of currency translation on cash and cash equivalents	(3,723)
<b>Cash and cash equivalents, 31 January 2014</b>	<b>14,318,320</b>

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

As at 31 January 2014

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	<b>Holdings as at 31/01/2014 No. of Shares</b>	<b>Fair Value as at 31/01/2014 USD</b>	<b>Percentage of total net assets attributable to shareholders at 31/01/2014 %</b>
<b>AUTOMOBILES</b>			
PORSCHE AUTOMOBIL HLDG	55,000	5,391,892	10.77
<b>CAPITAL MARKETS</b>			
IP GROUP PLC	700,000	2,022,218	4.04
<b>COMMERCIAL BANKS</b>			
ST GALLER KANTONALBANK	2,852	1,106,074	2.21
<b>COMMERCIAL SERVICES &amp; SUPPLIES</b>			
SHANGHAI ASIA HOLDINGS LTD	1,535,000	-	-
<b>DISTRIBUTORS</b>			
DAH CHONG HONG	3,300,000	1,942,201	3.88
<b>HOTELS, RESTAURANTS &amp; LEISURE</b>			
REXLOT HOLDINGS LTD	66,875,000	10,507,218	20.98
<b>INDEPENDENT POWER PRODUCERS &amp; ENERGY TRADERS</b>			
CHINA WINDPOWER GROUP LTD	54,250,000	5,239,926	10.46
<b>INSURANCE</b>			
QBE INSURANCE GROUP LTD	150,000	1,505,736	3.00
<b>MARINE</b>			
MERMAID MARINE AUSTRALIA LTD	432,420	1,106,906	2.21
<b>METALS &amp; MINING</b>			
PETRA DIAMONDS LTD	2,000,000	4,537,324	9.06
		<b>33,359,495</b>	<b>66.61</b>

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## **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 2014, the *i* Capital Global Fund performance is 6.08% per annum, as opposed to -0.31% per annum for the MSCI World Index (MSCI W) and -0.61% per annum for the MSCI ACWI. From 1 January 2007 to 31 January 2014, funds under CDPL's management achieved a return of 6.30% per annum, outperforming the MSCI W and MSCI ACWI which in that period recorded 2.21% and 2.14% per annum respectively.

The Fund's performance for the *i* Capital Global Fund as at 31 January 2014 is shown below:

Performance as at 31 January 2014 (%)			
(US\$)	ICGF	MSCI W	MSCI ACWI
Cumulative *	47.49	-2.02	-3.93
Annualised Return	6.08	-0.31	-0.61

\*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](http://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 2014, CDAM achieved a net compound return of 16.75% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 7.00% 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](http://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 2014.)

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