

i Capital Global Fund



Quarterly Investment Report
For the period 1 Nov 2014 to 30 Jan 2015

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ICGF AT A GLANCE

Investment Objective

The Fund's investment objective is to focus on long-term capital appreciation.

Who should invest?

Eligible Investors ^[1] seeking a value investing style and exposure to the global stock markets, who are able to adopt a long-term outlook and endure performance fluctuations

Buy / Sell Spread

Nil

Management Fee

1.5% p.a.

Performance Fee

Only chargeable if the following three criteria are met in the same period:

1. NAV exceeds 6% annual rate of return *and*
2. NAV exceeds 6% annual compound rate of return *and*
3. Both annual and annual compound returns must still be above 6% after the performance fee is charged

Inception Date

6 July 2007

Minimum Investment (USD)

\$200,000 minimum

Additional Investment (USD)

\$10,000 minimum

Directors of the Fund

Che Hui Shan (Appointed on 28 October 2014)
Kok Tzu Wei (Appointed on 28 October 2014)
Tan Teng Boo (Retired on 29 October 2014)
Chew Poh Imm Claudine (Retired on 29 October 2014)

**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
Web site: www.capitaldynamics.com.sg

**Registered Office of the
Fund**

Deutsche Bank (Cayman) Limited
P.O. Box 1984
Boundary Hall
Cricket Square
George Town
Grand Cayman KY1-1104
Cayman Islands

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 of the Fund

Ernst & Young, Cayman Islands

PERFORMANCE REVIEW

This is the third quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2015.

In the three months ended 30 January 2015, the net asset value (NAV) of the *i* Capital Global Fund decreased 7.45% or US\$101.021 from US\$1,355.724 to US\$1,254.703 per share. In the same period, the MSCI All Country World Index (MSCI ACWI) ⁽²⁾ decreased 2.17%.

Between 6 July 2007 and 30 January 2015, the NAV of the *i* Capital Global Fund gained 25.47% or US\$254.703 from US\$1,000.000 to US\$1,254.703 per share. In the same period, the MSCI ACWI increased 0.58%.

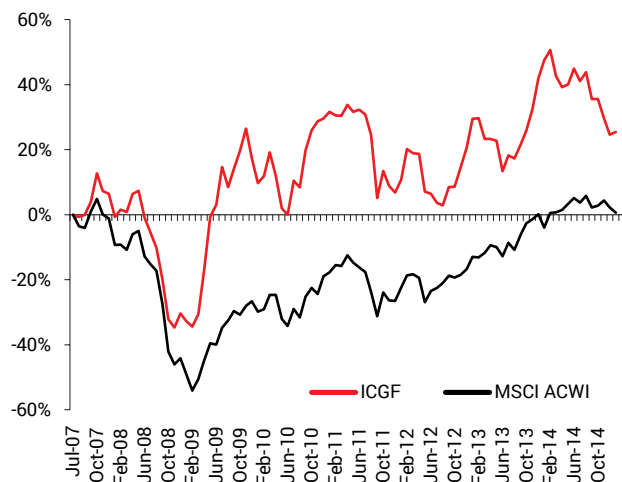
Figure 1 shows the NAV of the *i* Capital Global Fund against the performance of the MSCI ACWI since its launch which was just before the financial markets and economies were seriously affected by the 2008 US-led financial crisis. Since then, your Fund has consistently outperformed the MSCI ACWI.

The portfolio of your Fund is spread across 5 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 10.

MARKET REVIEW AND OUTLOOK

When investing, many investors are very concerned with timing issues; i.e. issues relating to when to buy or when to sell. If one has perfect timing sense, then, such an approach would make perfect sense and be extremely profitable. There are many methods available out there that aim at buying and selling at the right time. Unfortunately, no successful timing approach has been found yet. What has instead proven to be successful over long periods of time and

Figure 1 ICGF NAV vs MSCI ACWI (6 JUL 2007 - 30 JAN 2015)



The top 5 investments as at 30 January 2015 were Porsche Automobil Holdings, Rexlot Holdings Ltd, China Wind Power International Corp., Dah Chong Hong and QBE Insurance Group. They made up 37.52% of the total assets. At the end of January 2015, your Fund had 62.54% of its NAV in cash.

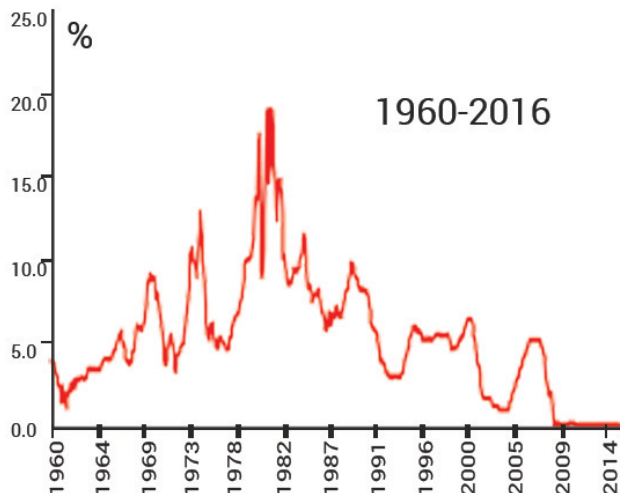
over different markets is value investing (although admittedly, there will be stints where its performance is less superior).

The key feature that makes value investing successful is of course its margin of safety principle. In simple terms, invest in an asset at a price for less than what it is worth. To work out what an asset is worth, choosing the right discount rate is one of the critical variables.

This critical variable is highly sensitive to interest rate. If, say, interest rate is zero and is expected to remain like this for a long time, then, an asset with an earning power of \$100 would have an infinite intrinsic value (using a simplistic valuation method). If interest rate rises to 1%, its intrinsic value would plunge to \$10,000. If interest rate rises to 2%, its intrinsic value would plunge 50% to \$5,000. If interest rate rises to 4%, its intrinsic value would plunge another 50% to \$2,500. In short, small changes in interest rate would generate big changes in valuation.

On 3 May 2015, Warren Buffett said that stock prices would be expensive if interest rates normalise from their ultra-low levels. "If we get back to normal interest rates, stocks at these prices will look high," said Buffett, speaking at the annual shareholders' meeting of Berkshire Hathaway Inc. He added he could not have predicted that interest rates would remain this low for this long without becoming a problem.

Figure 2 US FEDERAL FUNDS RATE



For those who have forgotten how long the super low interest rate regime has been around, Figure 2 is useful. As the US economic recovery has already normalised, chances are high that we will get back to normal interest rates soon. As our simple exercise above shows, this would have a major adverse impact on asset prices and create a bit of a problem for the richly valued stock market. Even Janet Yellen has admitted that the US stock market valuation is high.

The Bank for International Settlements has warned :
"The transition from extraordinary monetary ease to more normal policy settings ... will require deft timing and skilful navigation of economic, financial and political factors, and hence it will be difficult to ensure a smooth normalisation. The prospects for a bumpy exit together with other factors suggest that the predominant risk is that central banks will find themselves behind the curve, exiting too late or too slowly ... Navigating the transition is likely to be complex and bumpy, regardless of communication efforts ... the risk of normalising too late and too gradually should not be underestimated."

With very few bargains available generally, the NAV of the *i* Capital Global Fund is still made up of a lot of cash as it presently offers the highest level of safety margin. The NAV of the *i* Capital Global Fund can be viewed at either www.funds.icapital.biz or www.capitaldynamics.com.sg

Best wishes,

陳鼎武

Tan Teng Boo
 Director
 Capital Dynamics (S) Pte Ltd
 24 May 2015

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31-JAN-15

	US(\$)
Income	
Interest Income	121
Total investment income	<u>121</u>
Expenses	
Management fees	150,923
Administrative & Custodian fees	35,198
Professional fees	5,275
Other expenses	901
Total expenses	<u>192,297</u>
Net Investment Loss	<u>(192,176)</u>
Loss on investment and foreign currency transactions	
Net realised loss on securities transactions	(327,682)
Net change in unrealised loss on securities transactions	(2,330,996)
Net loss on foreign currency transactions	(357,127)
Net loss on investment and foreign currency transactions	<u>(3,015,805)</u>
Net change in net assets attributable to holders of participating shares resulting from operations	<u>(3,207,981)</u>

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31-JAN-15

	US(\$)
Assets	
Cash and cash equivalents	25,145,256
Investments in securities, at fair value (cost US\$ 17,864,734)	14,950,224
Other receivables	4,827
Total Assets	<u>40,100,307</u>
Liabilities	
Management fee payable	204,805
Other payables	51,979
Total Liabilities	<u>256,784</u>
Net assets attributable to the shareholders of the Fund	<u><u>39,843,523</u></u>
Net assets attributable to:	
Participating shares	39,843,513
Management shares	10
Net assets attributable to the shareholders of the Fund	<u><u>39,843,523</u></u>
Net asset value ("NAV") per participating share	
Based on 31,755 participating shares outstanding (October 2014: 31,755)	<u><u>1,254.72</u></u>

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

For the three months ended 31-JAN-15

	US(\$)
Net change in net assets attributable to holders of participating shares resulting from operations	<u>(3,207,981)</u>
Capital transactions	
Participating shares issued during the financial period	-
Redemption of participating shares during the financial period	-
Net change in net assets attributable to holders of participating shares resulting from capital transactions	<u>-</u>
Net change in net assets attributable to holders of participating shares for the period	(3,207,981)
Net assets attributable to holders of participating shares at beginning of period	<u>43,051,494</u>
Net assets attributable to holders of participating shares at end of period	<u><u>39,843,513</u></u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the three months ended 31-JAN-15

	US(\$)
Cash flows from operating activities	
Net change in net assets attributable to holders of participating shares resulting from operations	(3,207,981)
Adjustment to reconcile net change in net assets attributable to holders of participating shares resulting from operations to net cash generated from operating activities:	
Changes in operating assets and liabilities	
Investments in securities, at fair value	4,801,303
Dividends receivable	159,777
Other receivables	
Management fee payable	(3,827)
Other payables	150,923
	6,375
Net cash flows generated from operating activities	<u>1,906,570</u>
Net change in cash and cash equivalents for the period	1,906,570
Cash and cash equivalents at the beginning of the period	<u>23,238,686</u>
Cash and cash equivalents at the end of the period	<u><u>25,145,256</u></u>
Supplemental disclosure of cash flow information	
Dividends received	<u><u>159,777</u></u>

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31-JAN-15

	Holdings as at 31-JAN-15 No. of Shares	Fair Value as at 31-JAN-15 USD	Percentage of total net assets attributable to shareholders at 31-JAN-15 %
AUTOMOBILES			
PORSCHE AUTOMOBIL HLDG	55,000	4,623,389	11.60
DISTRIBUTORS			
DAH CHONG HONG	3,300,000	1,936,757	4.86
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	4,239,034	10.64
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS			
CHINA WINDPOWER GROUP LTD	47,080,000	2,914,926	7.32
INSURANCE			
QBE INSURANCE GROUP LTD	150,000	1,236,118	3.10
		14,950,224	37.52

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to January 2015, the *i* Capital Global Fund performance is 3.04% per annum, as opposed to 0.08% per annum for the MSCI ACWI. From 1 January 2007 to 30 January 2015, funds under CDPL's management achieved a return of 3.60% per annum, outperforming the MSCI ACWI which in that period recorded 2.44% per annum.

The Fund's performance for the *i* Capital Global Fund as at 30 January 2015 is shown below:

Performance as at 31 JAN 2015 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	25.47	0.58
Annualised Return	3.04	0.08

* Cumulative Returns are measured since inception.
(Note: Information is current as at 31 JAN 2015.)

About the Group

Capital Dynamics is an independent global fund manager and investment adviser, not tied to any bank, insurer, stockbroker or political organisation.

Our managed funds and investment advisory services are all directly accessible by individual, corporate and institutional investors around the world, and we also offer individually managed accounts to wholesale investors. Currently we manage over US\$251m, from our offices in Kuala Lumpur, Singapore, and Sydney. Our investment advisory service is provided via *i* Capital newsletter, a weekly publication, and www.icapital.biz. It is available in English and Chinese.

Capital Dynamics (S) Pte Ltd (CDPL), a global fund manager based in Singapore, is the investment 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 for Accredited Investors.

Capital Dynamics (Australia) Ltd (CDAL) obtained its Australian Financial Services License (ASFL 326283) from the Australian Securities and Investments Commission in December 2008. This allows CDAL to provide fund 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.

OTHER INFORMATION

Between April 1998 and July 2014, CDAM achieved a net compound return of 16.44% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 7.02% per annum in the same period.

Our Philosophies

Independence, intelligence and integrity drive all business and investment decisions at Capital Dynamics. Integrity is central to our corporate culture, and to our loyal clients of many years, our word has proven to be our bond. Capital Dynamics has some of the most stringent compliance policies in the industry.

As a global fund manager, our “Bamboo value investing” philosophy is unique, and has enabled Capital Dynamics to generate sustained superior returns. Based on long-term only investment principles, our value investing approach is given flexibility with the addition of macroeconomic factors and further investment intelligence from our team of fund managers and analysts. We go behind the commercial veneer of companies, travelling globally to research first hand.

GLOSSARY

[1] Eligible Investors

A person to whom the issue or transfer of, or where the holding of participating Shares:

- (i) would not constitute a breach of the laws of any jurisdiction; or
- (ii) would not be contrary to the regulations of any government authority; or
- (iii) would not give rise to circumstances (whether taken alone or conjunctively with other persons or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Fund and/or its Shareholders as a whole incurring any liability for taxation or suffering any other regulatory, pecuniary, legal or material administrative disadvantage that the Fund and/or its Shareholders might not otherwise have suffered or incurred; or
- (iv) would not give rise to circumstances which may cause the Fund to breach the terms of any license, registration or approval procured by it in relation to its investments; and
- (v) would satisfy the requirements set out in this section titled “Eligible Investors”.

Eligible Investors must also satisfy the requirements for an “accredited investor” or an “institutional investor” under the definition of the Securities and Futures Act.

[2] MSCI ACWI

A free float-adjusted market capitalisation weighted index which consists of 46 country indices, comprising 23 developed markets and 23 emerging market countries. This includes the stock markets of China, which ICGF cannot invest in at this time.

NOTES

Past performance is not a reliable indicator of future performance. Performance is calculated in US dollars, net of ongoing fees and expenses and assumes reinvestment of distributions.

Disclaimer: The information in this Quarterly Investment Report is not intended to provide advice and is being provided strictly for informational purposes only and does not constitute an advertisement. It has not been prepared taking into account any particular investor's or class of investor's investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. None of CDPL nor any of its related entities guarantees the performance of the Fund or the repayment of capital or any particular rate of return or any distribution.

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Capital Dynamics (S) Pte Ltd

8 Robinson Road, ASO Building,
#07-00, Singapore, 048544

Tel: (+65) 6224 8055/56/58

Fax: (+65) 6224 8057

www.capitaldynamics.biz

cdpl.info@icapital.biz