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**iCapital**<sup>®</sup>  
BY Capital Dynamics

***i* Capital Global Fund**  
**Audited Financial Statements**  
For the financial year ended 30 April 2016



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# Annual report of the Fund Manager for the financial year ended 30 April 2016

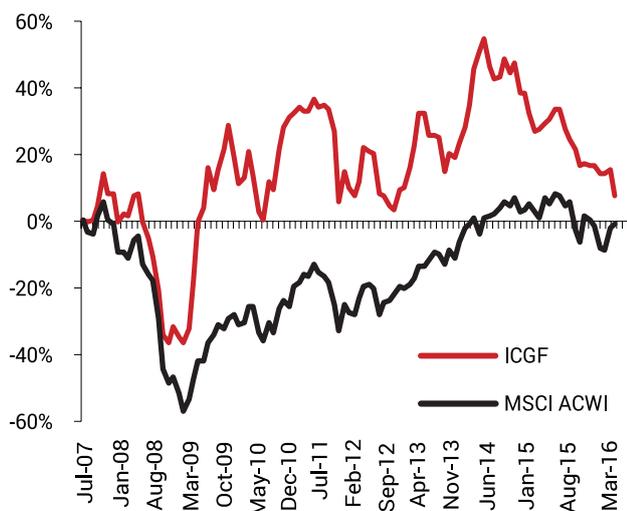
## Performance

This is the fourth Quarterly and Annual Report of the *i* Capital Global Fund for the financial year ended 30 April 2016.

Between 6 July 2007 and 29 April 2016, the NAV of the *i* Capital Global Fund gained 6.52% or US\$65.163 from US\$1,000.000 to US\$1,065.163 per share. In the same period, the MSCI ACWI decreased 1.13%.

Figure 1 shows the NAV of the *i* Capital Global Fund against the performance of the MSCI All Country World Index<sup>(1)</sup> (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.

**Figure 1** ICGF NAV vs MSCI ACWI (6 JUL 2007 - 29 APR 2016)



In the twelve months ended 29 April 2016, the net asset value (NAV) of the *i* Capital Global Fund decreased 18.59% or US\$243.287

from US\$1,308.450 to US\$1,065.163 per share. In the same period, the MSCI ACWI decreased 7.55%.

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 in page 21.

The top 5 investments as at 29 April 2016 were Dah Chong Hong Holdings Ltd, QBE Insurance Group, Rexlot Holdings Ltd, China New Town Development Co Ltd and Clover Corporation Ltd. They made up 13.09% of the total assets. At the end of April 2016, your Fund had 86.91% of its NAV in cash.

## Strategy

When I was writing the commentary dated 30th July 2016, I said that in our coming quarterly commentary, we will present a more detailed write-up on China's economy where we will share our long-term optimism. Here it is.

Let us start with a typical view of China. For a long time, China was isolated from the rest of the world. Its affairs and future were dictated from the top down by the emperor and his court. The imperial government was autocratic and despotic, and her educational system was based on the rote memorisation of required texts and thwarted intellectual creativity. In the Chinese society, it subordinated the individual to the group. More worryingly, it was a civilisation that was incapable of transforming itself, and was forced to change in the 19th century by the "Modern" West. Such a view is commonly held not only in the West but in many parts of the world. Layered upon such a typical view is the doomsday prediction for China that is also commonly found in the West.

In repeatedly predicting a doomsday outlook for China, many investors, analysts and the Western media must be wondering why their long forecasted day of hard landing for China as a nation does not seem to be happening anytime soon. Non-Western democracies like China are not supposed to last for 5 decades, let alone 5,000 years. Maybe they should learn from Zhou Enlai, a former prime

minister of China. He was asked whether he thought the French Revolution was a success and his wise advice was *"It's too early to say"* on the superiority of Western style democracy.

This brings us to Richard von Glahn's latest book, titled: *"The Economic History of China: From Antiquity to the Nineteenth Century"* and a review by Tyler Cowen, a Bloomberg View columnist and a professor of economics at George Mason University.

In his interesting review of an enlightening book, Tyler asked, is it possible to better understand China today by looking back to the country's economic history, meaning over China's long history and not just the recent history?

Tyler wrote that *"in thousands of years of Chinese history there isn't much of a trend toward democracy or representative government. In an age when Turkey and Russia have been rejecting open and transparent representation, it hardly seems obvious that China will move toward greater political freedom. When Chinese leaders tell their citizens that Brexit and the Trump candidacy represent failures of democracy in action, a lot of Chinese citizens believe them."*

Tyler added that another conclusion from von Glahn's book is that *"a lot of autocratic Chinese regimes in history have proven stable even in periods of fairly slow economic growth .....From today's media, one sometimes receives the impression that a Chinese growth rate below 4 or 6 percent could mean radical instability and a rapid fall of the government, but Chinese history does not show this pattern. That is hardly proof of how things will run in the future, but it should shift our expectations in the direction of greater Chinese political stability."*

Von Glahn also observed that many contemporary Chinese economic policy ideas have parallels in earlier times, which is not in the least surprising. He explained *"the importance of state-owned enterprises, the use of fiscal policy to keep people working, commodity monopolies and population*

*registration across many centuries."* The book also explains how China a long time ago adopted modernising, market-oriented reforms during the Tang-Song era of 755 CE -1127 CE, which lasted for 400 years, far longer than the history of the United States of America.

Tyler Cowen took *"those continuities as signs that China today is embodying what the country was for a long time, rather than inhabiting a transitional state before morphing into something different."*

The book by the professor from UCLA and the observations by Tyler Cowen are interesting, very interesting. Listen to this : *"The extreme instability of the 19th and much of the 20th century in China is the historical outlier, not the norm, and so China today may have fallen back into one of its relatively stable episodes."*

In short, the much predicted collapse of China may not be happening any time soon. 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).

For those who are keen, here is a quick guide to 3 of China's many dynasties.

#### Han Dynasty (206 BCE - 220 CE)

The Han Dynasty, with its capital at Chang'an retained much of the Qin administrative structure. The Han emperors were smart and forward looking: Confucian ideals of government were adopted and Confucian scholars gained prominent status within the civil service. A civil service examination system was initiated. Intellectual, literary, and artistic endeavours flourished. Technological advances also marked this period. Two of China's many great inventions, paper and porcelain, date from the Han Dynasty.

#### Tang Dynasty (618 CE – 907 CE)

The Tang Dynasty, with its capital at Chang'an, was at least equaled to the Han Dynasty. Stimulated by contacts with India and the Middle East, the empire saw a flowering of creativity in many fields. It

was a time of cosmopolitanism and cultural blossoming. Buddhism flourished, becoming thoroughly sinicised and a permanent part of Chinese culture. Block printing was invented, making the written word available to vast audiences – similar to the impact of the Internet and the modern Digital Revolution. A government system supported by a large class of Confucian literati selected through civil service examinations was perfected under Tang rule.

(1): 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.

### Song Dynasty (960 CE - 1279 CE)

The founders of the Song Dynasty built an effective centralised bureaucracy staffed with civilian scholar-officials. Culturally, the Song Dynasty refined many of the developments of the previous dynasties. Included in these refinements were not only the Tang ideal of the universal man (the combined qualities of scholar, poet, painter, and statesman), but also writing, painting, calligraphy, and hard-glazed porcelain. Song intellectuals sought answers to all philosophical and political questions in the Confucian Classics.

The Song Dynasty is notable for the development of cities not only for administrative purposes but also as centres of trade, industry, and commerce. A new group of wealthy commoners - the mercantile class - arose as printing and education spread, private trade grew, and a market economy began to link the coastal provinces and the interior. Landholding and government employment were no longer the only means of gaining wealth and prestige – a remarkable social transformation that greatly benefitted other periods and other civilisations. It was an era of significant economic and social changes: the monetisation of the economy; growth in commerce and maritime trade; urban expansion and technological innovations.

Best wishes.

Tan Teng Boo  
Director  
Capital Dynamics (S) Private Limited  
4 October 2016

# Statement by Directors

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We, Che Hui Shan and Kok Tzu Wei, being the two directors of *i* Capital Global Fund, do hereby state that, in our opinion:

- (i) the accompanying statement of financial position, statement of comprehensive income, statement of changes in net assets attributable to holders of participating shares and statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Fund as at 30 April 2016 and the results of the business, changes in net assets attributable to holders of participating shares and cash flows of the Fund for the financial year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they fall due.



**Che Hui Shan**  
**DIRECTOR**



**Kok Tzu Wei**  
**DIRECTOR**

Singapore  
29 July 2016



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# Independent Auditors' Report

## THE BOARD OF DIRECTORS *i* CAPITAL GLOBAL FUND

We have audited the accompanying financial statements of *i* Capital Global Fund (the "Fund") which comprise the statement of financial position as at 30 April 2016, and the statement of comprehensive income, statement of changes in net assets attributable to holders of participating shares and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the directors, as a body. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the directors as a body, for our audit work, for this report, or for the opinions we have formed.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of *i*Capital Global Fund as at 30 April 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

29 July 2016

*Ernst & Young Ltd.*

# Statement of Financial Position

AS AT 30 APRIL 2016

	Note	2016 US\$	2015 US\$
<b>Assets</b>			
Cash and cash equivalents		26,777,865	24,121,785
Investments in securities, at fair value (cost: US\$8,061,863; 2015: US\$17,864,734)	3	4,023,726	16,790,769
Dividends receivable		453	–
Interest receivable		2,742	393
Other receivable		2,100	3,289
Total assets		30,806,886	40,916,236
<b>Liabilities</b>			
Management fee payable	4	38,468	51,072
Other payables	6	32,102	58,705
Total liabilities		70,570	109,777
<b>Net assets attributable to the shareholders of the Fund</b>			
		30,736,316	40,806,459
Net assets attributable to :			
Participating shares		30,736,306	40,806,449
Management shares		10	10
<b>Net assets attributable to the shareholders of the Fund</b>			
		30,736,316	40,806,459
<b>Net asset value (“NAV”) per participating share</b>			
Based on 28,856 participating shares outstanding (2015: 31,187)		1,065.16	1,308.44

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 APRIL 2016

	Note	2016 US\$	2015 US\$
<b>Investment income</b>			
Dividend income (net of withholding tax of US\$56,722; 2015: US\$76,561)		257,170	572,451
Interest income		10,876	1,571
Total investment income		268,046	574,022
<b>Expenses</b>			
Management fee	4	527,152	644,672
Administration and custodian fees	6	70,589	119,611
Professional fees		23,128	21,568
Other expenses		9,543	9,819
Total expenses		630,412	795,670
Net investment expense		(362,366)	(221,648)
<b>Loss on investments and foreign currency transactions</b>			
Net realised (loss)/gain on securities transactions		(4,010,759)	1,176,556
Net change in unrealised loss on securities transactions		(2,964,172)	(2,805,017)
Net gain/(loss) on foreign currency transactions		40,760	(727,381)
Net loss on investments and foreign currency transactions		(6,934,171)	(2,355,842)
<b>Net change in net assets attributable to holders of participating shares resulting from operations</b>		(7,296,537)	(2,577,490)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# Statement of Changes in Net Assets Attributable to Holders of Participating Shares

FOR THE YEAR ENDED 30 APRIL 2016

	2016 US\$	2015 US\$
<b>Operations</b>		
Net investment expense	(362,366)	(221,648)
Net loss on investments and foreign currency transactions	(6,934,171)	(2,355,842)
<b>Net change in net assets attributable to holders of participating shares resulting from operations</b>	(7,296,537)	(2,577,490)
<b>Capital transactions</b>		
Redemption of participating shares	(2,773,606)	(3,256,711)
Net change in net assets attributable to holders of participating shares resulting from capital transactions	(2,773,606)	(3,256,711)
<b>Net change in net assets attributable to holders of participating shares for the year</b>	(10,070,143)	(5,834,201)
Net assets attributable to participating shareholders at beginning of year	40,806,449	46,640,650
<b>Net assets attributable to holders of participating shares at end of year</b>	30,736,306	40,806,449

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# Statement of Cash Flows

FOR THE YEAR ENDED 30 APRIL 2016

	2016 US\$	2015 US\$
<b>Cash flows from operating activities</b>		
Net change in net assets attributable to holders of participating shares resulting from operations	(7,296,537)	(2,577,490)
Changes in operating assets and liabilities :		
Investments in securities, at fair value	12,767,043	9,450,945
Dividends receivable	(453)	-
Interest receivable	(2,349)	(393)
Due from broker	-	1,038,653
Other receivable	1,189	(3,289)
Management fee payable	(12,604)	(7,309)
Other payables	(26,603)	26,773
<b>Net cash flows generated from operating activities</b>	<u>5,429,686</u>	<u>7,927,890</u>
<b>Cash flows from financing activities</b>		
Payments for redemption of shares	<u>(2,773,606)</u>	<u>(3,256,711)</u>
<b>Net cash flows used in financing activities</b>	<u>(2,773,606)</u>	<u>(3,256,711)</u>
<b>Net change in cash and cash equivalents for the year</b>	2,656,080	4,671,179
Cash and cash equivalents at beginning of year	<u>24,121,785</u>	<u>19,450,606</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>26,777,865</u></u>	<u><u>24,121,785</u></u>
<b>Supplemental disclosure of cash flow information</b>		
Dividends received	256,853	572,451
Interest received	<u>8,527</u>	<u>1,178</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

# Notes to Financial Statements

FOR THE YEAR ENDED 30 APRIL 2016

## 1. The Fund Information

i Capital Global Fund (the “Fund”) was incorporated as an exempted company with limited liability under the companies law of the Cayman Islands on 6 February 2007 and has been registered with CIMA pursuant to Section 4(3) of the Cayman Islands Mutual Fund Law. The Fund commenced operations on 6 July 2007. The Fund is registered as a regulated mutual fund under the Cayman Islands Mutual Funds Law.

The registered office of the Fund is located at P.O. Box 1984, Boundary Hall, Cricket Square, George Town, Grand Cayman KYI-1104, Cayman Islands.

The Fund’s investment manager is Capital Dynamics (S) Pte. Ltd. (the “Investment Manager”), a private limited company incorporated in Singapore.

The primary investment objective of the Fund is long term capital appreciation of its investments, whilst dividend and/or interest income from the investments would be of secondary consideration.

The Fund has appointed Deutsche Bank AG Singapore as administrator (the “Administrator”) and custodian (the “Custodian”) to the Fund.

## 2. Summary of Significant Accounting Policies

### 2.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and are stated in United States dollar (“USD” or “US\$”), which is the Fund’s functional and presentation currency.

The financial statements have been prepared

on a historical cost basis, except for financial instruments classified at fair value through profit or loss that have been measured at fair value. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

### 2.2 NEW AND AMENDED STANDARDS

The accounting policies adopted are consistent with those of the previous year. There are no new or amended standards adopted with effect from 1 May 2015 that have a material impact on the financial statements.

### 2.3 IMPACT OF INTERNATIONAL ACCOUNTING STANDARDS (“IAS”) AND IFRS ISSUED BUT NOT YET EFFECTIVE

The Fund has not yet adopted the following IAS and IFRS that have been issued but not yet effective:

Descriptions	Effective date (Annual periods beginning on or after)
<b>Amendments to IAS 27</b> Equity Method in Separate Financial Statements	1 January 2016
<b>IFRS 15</b> Revenue from Contracts with Customers	1 January 2018
<b>IFRS 9</b> Financial Instruments	1 January 2018

Except for IFRS 9 Financial Instruments, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the standards is described below.

#### *IFRS 9 Financial instruments: Classification and Measurement*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phase of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. Entities will have the option to early apply the accounting for own credit risk-related fair value gains and losses

arising on financial liabilities designated at fair value through profit and loss without applying the other requirements of IFRS 9. IFRS 9 introduces principles-based requirements for classification and measurement. Also the IASB has addressed the key concern that arose as a result of the financial crisis that the incurred loss model in IAS 39 contributed to the delayed recognition of credit losses, by issuing the new impairment requirements that are based on a more forward-looking expected credit loss model. The Directors are still assessing the impact of this standard to the Fund's financial statements.

#### **2.4 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value. All cash and cash equivalents are held by the Custodian as at 30 April 2016.

#### **2.5 INVESTMENT TRANSACTIONS AND RELATED INVESTMENT INCOME**

Investment transactions are accounted for on a trade date basis. Realised gains or losses from investment transactions are recorded on First-In-First-Out ("FIFO") method. Unrealised gains or losses are reflected in the statement of comprehensive income. Investment income represents dividends received from quoted investments and interest earned from deposit with banks and brokers. Dividends are recorded on the ex-dividend date. Interest is recorded on an accrual basis.

#### **2.6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

All of the Fund's investments in securities are classified as financial assets at fair value through profit or loss with changes in fair value reflected in statement of comprehensive income. The fair values of financial assets traded in active markets (such as publicly traded securities and derivatives) are based on the last traded price, where the last traded price falls within the bid-ask spread on the reporting date. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. Investments for which market quotations are not readily available are valued using estimated

fair value as determined in good faith by the Investment Manager.

Loans and receivables are non-derivative financial assets that are not quoted in an active market. The Fund includes in this category cash and cash equivalents, dividends receivable and interest receivable.

The Fund includes management fee payable and other payables as other financial liabilities.

Loans and receivables and financial liabilities (other than those classified as at fair value through profit or loss) are measured initially at their fair values plus any directly attributable incremental costs of acquisition or issue.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

#### **2.7 IMPAIRMENT OF FINANCIAL ASSETS**

The Fund assesses at the end of each reporting period whether a financial asset classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the differences between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as a '*Credit loss expense*'.

#### **2.8 FOREIGN CURRENCY TRANSLATION**

##### **(a) Functional and presentation currency**

The Fund's functional and presentation currency is USD, which is the currency

of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in USD. Therefore, the USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

#### **(b) Transactions and balances**

Assets and liabilities denominated in currencies other than USD are translated at the prevailing rates of exchange at the date of the financial statements. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains or losses are included in the statement of comprehensive income.

The Fund does not isolate that portion of the gains or losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included in the net realised and unrealised gains or losses from securities transactions.

### **2.9 PARTICIPATING SHARES**

The Fund offers participating shares which are redeemable at the shareholders' option after the expiry of such shareholders' commitment period in the Fund and are classified as financial liabilities.

The liabilities arising from the participating shares are carried at the redemption amount being the Net Asset Value ("NAV") calculated in accordance with IFRS.

### **2.10 MANAGEMENT SHARES**

Management shares are not redeemable, do not participate in the net income/(loss) or dividends of the Fund and are classified as equity.

### **2.11 RELATED PARTIES**

A related party is defined as follows:

**(a)** A person or a close member of that person's family is related to the Fund if that person:

- (i)** Has control or joint control over the Fund;
  - (ii)** Has significant influence over the Fund;
- or

**(iii)** Is a member of the key management personnel of the Fund or of a parent of the Fund;

**(b)** An entity is related to the Fund if any of the following conditions applies:

**(i)** The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

**(ii)** One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

**(iii)** Both entities are joint ventures of the same third party;

**(iv)** One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

**(v)** The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund. If the Fund is itself such a plan, the sponsoring employers are also related to the Fund;

**(vi)** The entity is controlled or jointly controlled by a person identified in (a); or

**(vii)** A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### **2.12 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent. However actual results could differ from those estimates and the differences could be material.

#### **Taxation**

There is currently no taxation imposed on income or capital gains by the Government of the Cayman Islands. The only taxes payable by the Fund are withholding taxes applicable to certain investment income. As a result, no tax liability or expense has been recorded in the financial statements.

### Going concern

The Directors have made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their investments at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows: (i) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services.

(i) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services.

(ii) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

(iii) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The directors have concluded that the Fund continue to meet the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics changes.

## 3. Fair value of financial instruments

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly

(i.e., as prices) or indirectly (i.e., derived from prices); and

**Level 3** - Inputs for the assets or liabilities that are not based on observable market data (i.e., unobservable inputs).

The Level in the fair value hierarchy within which the fair value measurements are categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurements in its entirety. For this purpose, the significance of an input is assessed against the fair value measurements in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurements in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Fund's financial instruments measured at fair value at 30 April:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>2016</b>				
Financial assets at fair value through profit or loss :				
Investments in securities	4,023,726	-	-	4,023,726
<b>2015</b>				
Financial assets at fair value through profit or loss :				
Investments in securities	16,790,769	-	-	16,790,769

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities securities. The Fund does not adjust the quoted price for this instrument.

There is no investment classified under Level 2 and 3 and there is no transfer between the categories during the year.

The fair value of the Fund's assets and liabilities, other than those classified as fair value through profit or loss, which qualify as financial instruments approximate the carrying amounts presented in the financial statements due to their short-term nature.

#### 4. Related party transactions

Pursuant to an agreement between the Investment Manager and the Fund, the Investment Manager is entitled to receive a management fee on a calendar quarter basis equal to one-quarter of 1.5% of the NAV of the Fund. Management fee is accrued on a monthly basis and will be payable by the Fund quarterly in arrears. During the year, the Fund recorded a total management fee of US\$527,152 (2015: US\$644,672), out of which US\$38,468 (2015: US\$51,072) remains payable as at the end of the reporting period.

The Fund will also pay to the Investment Manager a performance fee if the following two criteria are satisfied:

- (a) the appreciation in NAV of the Fund at the end of any Performance Period when compared with the NAV of the Fund at the beginning of the relevant Performance Period is higher than Hurdle Annualised Rate of Return ("AROR"); and
- (b) the NAV of the Fund as at the end of any Performance Period is higher than the Benchmark NAV.

Such performance fee shall be equal to 20% of the difference between the NAV of the Fund as at the end of the Performance Period and the Hurdle AROR of the Fund in respect of the period in question.

For purposes of this section the offering memorandum has the following definition:

"Hurdle AROR" is the notional appreciation in NAV of the Fund represented by multiplying the NAV of the Fund at the beginning of any Performance Period by 6 per cent, but making adjustments to take into account the

subscriptions and redemptions of the Fund during the relevant Performance Period.

"Benchmark NAV" is the notional NAV of the Fund calculated based on the NAV of the Fund as at the initial closing date compounded by 6 per cent annually.

"Performance Period" is the period commencing on the initial date the participating share is issued and ending at the close of business on 31 December 2007, and thereafter, is each period commencing as of the day following the last day of the preceding Performance Period and ending as of the close of business on each 31 December. If the investment management agreement is terminated before 31 December in any year, the performance fee in respect of the then Performance Period will be calculated and paid as though the date of termination were the end of the relevant Performance Period. The Fund's NAV per share as at 31 December 2015 is US\$1,153.10 (31 December 2014: US\$1,246.19).

If 30 April 2016 was deemed to be the end of the relevant Performance Period as defined in the Fund's offering memorandum, the performance fee to be recognised would be US\$Nil (2015: US\$Nil).

#### 5. Share capital

The authorised share capital of the Fund is US\$1,000,000 divided into 10 Management Shares of a nominal or par value of US\$1.00 each and 99,999,000 Participating Shares of a nominal or par value of US\$0.01 each. The Directors have the right to increase or reduce its capital, consolidate its shares or any of them into smaller number of shares or cancel any shares not taken or agreed to be taken by any person from time-to-time.

The Management shares carrying voting rights, do not participate in the profits or losses of the Fund and are not redeemable. The Management shares are held by the principal of the Investment Manager.

The Participating Shares were initially issued at US\$1,000 per share. Additional shares may be subscribed at the beginning of each month during the year, or at such other time as determined at the sole discretion of the Fund's

Directors at the price equal to the NAV per share of the Fund as of the last business day of the prior month.

The Participating Shares are redeemable on the first business day of each calendar quarter or such other time as determined by the discretion of the Directors, upon 30 days prior written notice, after 12 months from the date of the issuance of such shares at the NAV per share as of the close of the business day on the redemption date.

Participating share transactions for the year ended 30 April were as follows:

	2016	2015
Shares outstanding at beginning of year	31,187	33,510
Shares redeemed	(2,331)	(2,323)
Shares outstanding at end of year	28,856	31,187

## 6. Administration and custodian fees

The Administrator is entitled to receive an administrative fee in accordance to the administration agreement.

The administration and custodian fees are accrued and calculated as at each relevant valuation day and payable monthly in arrears. During the year, the Fund recorded administration and custodian fees amounting to US\$70,589 (2015: US\$119,611), out of which US\$6,000 (2015: US\$7,000) included in other payables remains unpaid as at the end of the reporting period.

## 7. Financial risk management objectives and policies

Risks arising from holding financial instruments are inherent in the Fund's activities and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk).

Financial instruments of the Fund comprise investments in financial assets for the purpose

of generating a return on the investments made by the Fund, in addition to cash and cash equivalents, dividends receivable, interest receivable, other receivable and other financial instruments such as management fee and other payables, which arise directly from its operation.

The Investment Manager is responsible for identifying and controlling the risks that arise from these financial instruments. The Investment Manager undertakes ongoing analysis of the risks of the portfolio in order to maintain a level of risk in the Fund that is compatible with the aim of producing positive absolute return on the Fund's investment portfolio in the long-term.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to shareholders of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the end of the reporting period, measured on this basis is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits is also monitored by the Investment Manager. These guidelines reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept with additional emphasis on selected industries.

In order to avoid excessive concentrations of risk, the Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels.

### (A) CREDIT RISK

Credit risk represents the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Fund to incur a financial loss.

Financial assets which potentially expose the Fund to credit risk consist principally of cash and cash equivalents, dividends receivable and interest receivable. The Fund seeks to mitigate its exposure to credit risk by placing its cash and cash equivalents with large financial institutions and monitoring the creditworthiness of such large financial institutions. The Fund limits its exposure to credit risk by undertaking transactions with reputable counterparties. The extent of the Fund's exposure to credit risk in

respect of these financial assets approximates their carrying values as recorded in the Fund's statement of financial position.

The Fund holds no collateral as security or any other credit enhancements. There is no financial asset which is past due or impaired, or would otherwise be past due or impaired. Credit risk is not considered to be significant to the Fund.

The list below shows the percentage of financial assets held with major counterparties as at 30 April:

	Total assets %	
	2016	2015
Deutsche Bank AG Singapore	100	100

### **(B) LIQUIDITY RISK**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, including investor redemptions. The risk is controlled through the Fund's investments in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

#### ***Maturity analysis for financial liabilities***

Financial liabilities of the Fund comprise management fee payable, other payables and net assets attributable to holders of participating shares. Management fee payable, and other payables are typically settled within 30 to 90 days from the transaction date.

### **(C) MARKET RISK**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. Market risk is managed and monitored using risk management strategies and analytical monitoring techniques and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Fund trades in listed equity instruments. The value of these investments may change adversely due to changes in market conditions such as volatility in the prices thereby adversely affecting the Fund. The Fund cannot engage in short sales and borrowings. Thus, losses from purchases cannot exceed the total amount invested.

The following risk analysis is for reporting at the end of the reporting period under IFRS 7 and does not guarantee future risk profile of the investment securities portfolio ("Portfolio"). The risk profile of the Portfolio will change depending upon market environment and strategic positioning. Consequently, the disclosed risk analysis does not necessarily reflect the risk position of the Portfolio at any time other than at the end of the reporting period. It demonstrates management's best estimate of sensitivity to reasonably possible changes in each of the indicated variables with all other variables held constant of the Fund's net assets and profit. In practice, the actual trading results may differ from the sensitivity analysis and difference could be material.

At the end of the reporting period the market exposure of the Fund's investments in securities by country and industry are as follows:

	Fair value as at 30 April 2016 US\$	% of NAV
<b>By Country:</b>		
Bermuda	965,278	3.14
Hong Kong	1,369,682	4.45
Australia	1,330,412	4.33
British Virgin Islands	358,354	1.17
	4,023,726	13.09
<b>By Industry:</b>		
Consumer	2,392,014	7.78
Financials	1,273,358	4.14
Industrials	358,354	1.17
	4,023,726	13.09

	Fair value as at 30 April 2015 US\$	% of NAV
<b>By Country:</b>		
Bermuda	7,857,614	19.26
Germany	5,249,554	12.86
Hong Kong	2,064,775	5.06
Australia	1,618,826	3.97
	16,790,769	41.15
<b>By Industry:</b>		
Consumer	11,345,510	27.80
Utilities	3,826,432	9.38
Financials	1,618,827	3.97
	16,790,769	41.15

The Investment Manager does not manage the Fund's investment strategy to track any particular index or external benchmark. The country listing above reflects the domicile country of each investment and may not reflect the geography of the underlying operations. The sensitivity analysis presented is based upon the portfolio composition and the historical fluctuations in the price of the portfolio securities.

**(i) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. As at 30 April 2016, the majority of the Fund's financial assets and financial liabilities are non-interest bearing, as the Fund's investments are mainly in listed equities. The Fund's cash and

cash equivalents held with the custodian are exposed to interest rate risk which is considered by the Investment Manager to be minimal as they are overnight and short-term instruments all with maturities of less than one month. Hence, the effect of a sensitivity analysis on the Fund's net profit and NAV would be negligible.

**(ii) Foreign currency risk**

Foreign currency risk includes the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Fund may invest in assets denominated in currencies other than its reporting and functional currency, USD. Consequently, the Fund is exposed to risks that the exchange rate

of USD relative to other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets which is denominated in currencies other than USD.

The following table indicates the currencies to which the Fund had significant exposure at the end of the reporting period on its monetary financial assets and liabilities:

<b>Concentration of assets and liabilities</b>						
<b>2016</b>	<b>USD US\$</b>	<b>HKD US\$</b>	<b>EUR US\$</b>	<b>AUD US\$</b>	<b>SGD US\$</b>	<b>Total US\$</b>
<b>Assets</b>						
Investments in securities, at fair value	-	2,334,960	-	1,330,412	358,354	4,023,726
Cash and cash equivalents	11,184,241	13,044,027	2,515,335	34,262	-	26,777,865
Interest receivable	2,742	-	-	-	-	2,742
Dividends receivable	-	-	-	453	-	453
Other receivable	2,100	-	-	-	-	2,100
<b>Total assets</b>	<b>11,189,083</b>	<b>15,378,987</b>	<b>2,515,335</b>	<b>1,365,127</b>	<b>358,354</b>	<b>30,806,886</b>
<b>Liabilities</b>						
Management fee payable	38,468	-	-	-	-	38,468
Other payables	11,150	-	-	136	20,816	32,102
<b>Total liabilities</b>	<b>49,618</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>20,816</b>	<b>70,570</b>
<b>Net currency exposure</b>	<b>11,139,465</b>	<b>15,378,987</b>	<b>2,515,335</b>	<b>1,364,991</b>	<b>337,538</b>	<b>30,736,316</b>

<b>2015</b>	<b>USD US\$</b>	<b>HKD US\$</b>	<b>EUR US\$</b>	<b>AUD US\$</b>	<b>SGD US\$</b>	<b>Total US\$</b>
<b>Assets</b>						
Investments in securities, at fair value	-	9,922,389	5,249,554	1,618,826	-	16,790,769
Cash and cash equivalents	14,993,967	9,010,746	91,074	25,998	-	24,121,785
Interest receivable	393	-	-	-	-	393
Other receivable	2,100	-	-	-	1,189	3,289
<b>Total assets</b>	<b>14,996,460</b>	<b>18,933,135</b>	<b>5,340,628</b>	<b>1,644,824</b>	<b>1,189</b>	<b>40,916,236</b>
<b>Liabilities</b>						
Management fee payable	51,072	-	-	-	-	51,072
Other payables	21,300	-	-	-	37,405	58,705
<b>Total liabilities</b>	<b>72,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,405</b>	<b>109,777</b>
<b>Net currency exposure</b>	<b>14,924,088</b>	<b>18,933,135</b>	<b>5,340,628</b>	<b>1,644,824</b>	<b>(36,216)</b>	<b>40,806,459</b>

The analysis calculates the effect of a reasonably possible movement of the currency rate against the USD on the net profit and NAV, with all other variables held constant. In practice, the actual results may differ from the below sensitivity analysis and the difference could be material:

Currency	Appreciation (+)/ depreciation (-) of currency against USD %	Change in NAV US\$
<b>2016</b>		
Hong Kong Dollar	+/- 0.08	+/- 13,053
Euro	+/- 1.69	+/- 42,532
Australia Dollar	+/- 2.38	+/- 32,442
Singapore Dollar	+/- 1.36	+/- 4,597
<b>2015</b>		
Hong Kong Dollar	+/- 0.04	+/- 7,573
Euro	+/- 2.50	+/- 133,516
Australia Dollar	+/- 2.39	+/- 39,311
Singapore Dollar	+/- 1.15	+/- 416

## 8. Capital risk management

The Fund's capital is represented by the net assets attributable to holders of participating shares. The Fund strives to invest the subscriptions of redeemable participating shares in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet shareholder redemptions.

## 9. Net assets attributable to holders of participating shares

In accordance with the provisions of the offering memorandum of the Fund, the pricing for listed or quoted investments dealt on any exchange, or over-the-counter market will be made by reference to the last traded price for (or the official last traded price provided by the exchanges) the purpose of determining net asset value per participating share for subscriptions and redemptions and for various fee calculations.

## 10. Subsequent events

Subsequent to 30 April 2016, up to 29 July 2016 the Fund recorded US\$124,671 redemptions.

## 11. Approval of the financial statements

The financial statements of the Fund for the year ended 30 April 2016 were authorised for issue in accordance with a resolution of the Directors on 29 July 2016.

# Schedule of Securities

FOR THE YEAR ENDED 30 APRIL 2016

	Holdings as at 30 April 2016	Fair Value as at 30 April 2016	Percentage of total net assets attributable to shareholders at 30 April 2016
	No. of Shares	USD	%
<b>DISTRIBUTORS</b> DAH CHONG HONG	3,300,000	1,369,682	4.46
<b>HEALTH CARE EQUIPMENT &amp; SUPPLIES</b> CLOVER CORPORATION LTD	166,529	57,054	0.19
<b>HOTELS, RESTAURANTS &amp; LEISURE</b> REXLOT HOLDINGS LTD	53,875,000	965,278	3.14
<b>INSURANCE</b> QBE INSURANCE GROUP LTD	150,000	1,273,358	4.14
<b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT</b> CHINA NEW TOWN DEVELOPMENT	9,094,750	358,354	1.17
		<b>4,023,726</b>	<b>13.09</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 April 2016, the *i* Capital Global Fund performance is 0.72% per annum, as opposed to -0.13% per annum for the MSCI ACWI. From 30 Aug 2006 to 29 April 2016, funds under CDPL's management achieved a return of 0.85% per annum, underperforming the MSCI ACWI which in that period recorded 1.94% per annum.

The Fund's performance for the *i* Capital Global Fund as at 29 April 2016 is shown below:

Performance as at 30 April 2016 (%)		
(US\$)	ICGF	MSCI ACWI
Cumulative *	6.52	-1.13
Annualised Return	0.72	-0.13

\*Cumulative Returns are measured since inception.

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 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 April 2016, CDAM achieved a net compound return of 13.78% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year (except for 2009, 2010, 2012, 2013, 2014 and 2015), which gained 5.65% 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 30 April 2016.)

Disclaimers: The information in this Annual Report is not intended to provide advice. 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 any particular rate of return.

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If you have any questions or require further information, you can contact us as follows:

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INDEPENDENCE \* INTELLIGENCE \* INTEGRITY

### **Directors of the Fund**

Che Hui Shan  
Kok Tzu Wei

### **Investment Manager**

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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