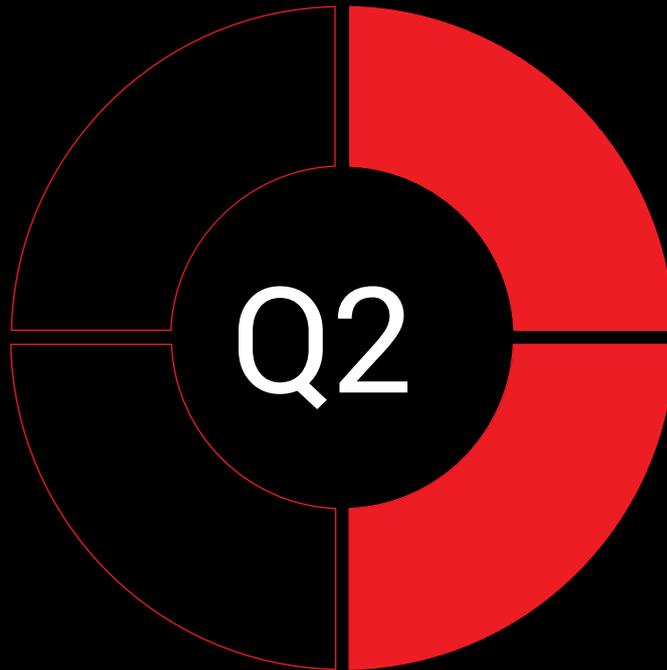


i Capital Global Fund



Quarterly Investment Report
For the period 1 Aug 2015 to 31 Oct 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
Kok Tzu Wei

**Investment
Manager**

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Fund**

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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 second quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2016.

In the three months ended 30 October 2015, the net asset value (NAV) of the *i* Capital Global Fund decreased 5.88% or US\$72.021 from US\$1,225.739 to US\$1,153.718 per share. In the same period, the MSCI All Country World Index (MSCI ACWI)^[2] decreased 3.64%.

Between 6 July 2007 and 30 October 2015, the NAV of the *i* Capital Global Fund gained 15.37% or US\$153.718 from US\$1,000.000 to US\$1,153.718 per share. In the same period, the MSCI ACWI increased 0.81%.

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.

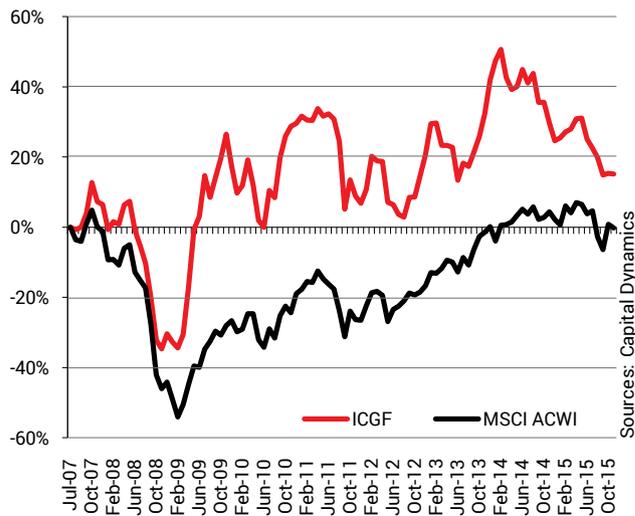
The portfolio of your Fund is spread across 3 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 11.

MARKET REVIEW AND OUTLOOK

After Lehman Brothers collapsed in September 2008, due to the greatest but avoidable mistake made by Ben Bernanke, the Federal Reserve's ex-chairman, the world economy has not been the same. Fundamentally, it has changed in many ways; some for the better, some for the worse.

The emergence of China and hence, the reliance of the global economy on China's development, is one of the

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



The top 3 investments as at 30 October 2015 were Rexlot Holdings Ltd, Dah Chong Hong and QBE Insurance Group. They made up 17.50% of the total assets. At the end of October 2015, your Fund had 82.55% of its NAV in cash.

most important positive changes the global economy has seen. To many, this sounds like heresy but the most vital reason why the global economy in 2008 did not end up like the 1930 Great Depression is due to the immense positive contribution from China.

While China's development since 2008 has contributed greatly to a better and more balanced world economy, the irresponsible politicians and

the no less irresponsible policies of the developed economies, in particular, the United States of America, Europe and Japan, have since 2008 imparted great volatility and uncertainty on the rest of the world and they would with hindsight be seen as one of the biggest contributors to the sluggish global economic growth experienced nowadays. The failure of politicians in the United States of America, Europe and Japan in coming out with proper and effective fiscal policies may be seen as a major failure of Western democracy. However, the failure of monetary policies to boost growth has to be seen as a major failure on the part of the central banks in the United States of America, Europe and Japan.

As world economic growth projections are now regularly revised downwards, some European and Japanese central bankers have resorted to negative interest rates. The policy of implementing negative interest rate first started in Europe. There are fundamentally serious uncertainties and costs created by negative interest rate. Although the Federal Reserve has so far not resorted to this desperate measure of last resort, well, no one really knows when and how desperate the Federal Reserve would get when the going gets tougher.

It is clear that negative interest rates do not work and it is time for the governments and politicians in democratic Japan, Europe and the United States to get their acts together and implement policies to effectively boost global aggregate demand rather than merely asset prices. The combined GDP of Japan, Europe and the United States is more than 3.5 times the size of China's GDP. Boosting their annual GDP growth rate by a mere 1% would be similar to China increasing her GDP growth rate by 3.5%. Warren Buffett expresses optimism over America.

Donald Trump is right in saying that something is fundamentally wrong with America and he is the one running for the US presidential election.

At the same time, many observers keep criticising China again and again for not reforming. This is strangely ironical when China has been precisely doing that and is the one economy, big or small, that is reforming the most. Perhaps these people have a different definition or notion of what reforms are; to Capital Dynamics (S) Pte Ltd, many of the promised reforms are already underway even though they have not received the glamorous media reports that another country, which is not China, would have. Well, the fact that these reforms have not gotten the necessary coverage does not detract from the fact that the reforms are actually underway; in many cases, pretty earnestly.

As part of the government's state-owned enterprise (SOE) reforms, China is aiming to transform executive compensation at its biggest state firms by cutting salaries, curbing misuse of non-salary benefits and holding top managers responsible for the performance of their firms. Under the plan, top bosses at 72 central government-owned firms, which also include well-known conglomerates such as China Mobile Ltd, face pay cuts of as much as 50%. The biggest executive pay cut was at equipment manufacturer Guodian Nanjing Automation which saw the firm's new general manager, Ying Guangwei, paid RMB164,000, compared with RMB518,000 for his predecessor in 2014.

At 18 Chinese state firms, their bosses had major pay cuts last year after the central government overhauled salary schemes for top SOEs executives out of the 48 SOEs that have released their 2015 annual reports. Li

Chunguang, Sinopec's board director and president, had a 46% pay cut last year, with his salary dropping from RMB970,000 in 2014 to RMB525,000. Wang Dongjin, president and director of PetroChina, saw his pay shrink from RMB1.1 mln in 2014 to RMB734,000 during the same time period. Although one could cite the impact of plunging oil price on the firms' earnings as the main reason for the hefty pay cuts, one must note that salaries were also slashed for top executives at China's five biggest banks. Jiang Jianqing, chairman of the Industrial and Commercial Bank of China, the world's biggest lender by assets, made less than RMB550,000 in total compensation last year, down by 52% from 2014. China Construction Bank, the country's second-biggest lender, cut chairman Wang Hongzhang's annual compensation to less than RMB600,000 in 2015. Chairmen at another three major Chinese state lenders - Agricultural Bank of China, Bank of China and Bank of Communications - also received only half of what they earned in 2014. In addition, the banks' presidents saw their compensation halve in 2015. In comparison, JPMorgan Chase & Co chief executive Jamie Dimon received US\$27 mln in total compensation in 2015. UBS chief executive Sergio Ermotti received 14.3 mln Swiss francs in total compensation for the same year.

Contrary to others, Capital Dynamics (S) Pte Ltd sees China reforming every day and everywhere. Actually, to see all of these, one just needs to be not anti-China or closed-minded or be a parrot. The reforms of China's economy are necessarily very complex, long-lasting and will be experienced in many corners of this huge and fast-developing nation. Reforming the state-owned firms is only one tiny part of the whole reform process, which will be implemented at many levels. It is worth noting that cutting the benefits of senior managers is a vital part of reforming these large

entities. It is not just about retrenching people, closing down said firms or downsizing them.

At the time of writing this commentary, even though it has been making some purchases, the *i* Capital Global Fund still has a high cash level. 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
18 April 2016

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31-OCT-15

	US(\$)
Income	
Dividend Income	56,419
Interest Income	1,708
Total investment income	<u>58,127</u>
Expenses	
Management fees	131,390
Withholding tax on dividend income	9,134
Professional fees	6,207
Administrative & Custodian fees	18,026
Other expenses	1,207
Total expenses	<u>165,964</u>
Net investment loss	<u>(107,837)</u>
Gain/(loss) on investment and foreign currency transactions	
Net realised loss on securities transactions	(5,605,678)
Net change in unrealised gain on securities transactions	3,581,044
Net loss on foreign currency transactions	(40,217)
Net loss on investment and foreign currency transactions	<u>(2,064,851)</u>
Net change in net assets attributable to holders of participating shares resulting from operations	<u>(2,172,688)</u>

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31-OCT-15

	US(\$)
Assets	
Cash and cash equivalents	28,261,604
Investments in securities, at fair value (cost US\$ 7,635,172)	5,979,969
Other receivables	1,606
Total Assets	<u>34,243,179</u>
Liabilities	
Management fee payable	42,769
Other payables	28,212
Total Liabilities	<u>70,981</u>
Net assets attributable to the shareholders of the Fund	<u><u>34,172,188</u></u>
Net assets attributable to:	
Participating shares	34,172,188
Management shares	10
Net assets attributable to the shareholders of the Fund	<u><u>34,172,198</u></u>
Net asset value ("NAV") per participating share	
Based on 29,619 participating shares outstanding (July 2015: 30,316)	<u><u>1,153.72</u></u>

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

For the financial period ended 31-OCT-15

	US(\$)
Net change in net assets attributable to holders of participating shares resulting from operations	<u>(2,172,688)</u>
Capital transactions	
Redemption of participating shares during the financial period	<u>(814,492)</u>
Net change in net assets attributable to holders of participating shares resulting from capital transactions	<u>(814,492)</u>
Net change in net assets attributable to holders of participating shares for the period	(2,987,180)
Net assets attributable to holders of participating shares at beginning of period	<u>37,159,368</u>
Net assets attributable to holders of participating shares at end of period	<u><u>34,172,188</u></u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31-OCT-15

	US(\$)
Cash flows from operating activities	
Net change in net assets attributable to holders of participating shares resulting from operations	(2,172,688)
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	4,309,867
Other receivables	1,347
Management fee payable	(154,768)
Other payables	(11,074)
Net cash flows generated from operating activities	<u>1,972,684</u>
Cash flows from financing activities	
Redemption of participating shares	(814,492)
Net cash flows used in financing activities	<u>(814,492)</u>
Net change in cash and cash equivalents for the period	1,158,192
Cash and cash equivalents at the beginning of the period	<u>27,103,412</u>
Cash and cash equivalents at the end of the period	<u><u>28,261,604</u></u>
Supplemental disclosure of cash flow information	
Dividends received	56,419
Interest received	1,630

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31-OCT-15

	Holdings as at 31-OCT-15 No. of Shares	Fair Value as at 31-OCT-15 USD	Percentage of total net assets attributable to shareholders at 31-OCT-15 %
DISTRIBUTORS			
DAH CHONG HONG	3,300,000	1,503,058	4.40
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	3,058,631	8.95
INSURANCE			
QBE INSURANCE GROUP LTD	150,000	1,418,280	4.15
		5,979,969	17.50

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to October 2015, the *i* Capital Global Fund performance is 1.73% per annum, as opposed to 0.10% per annum for the MSCI ACWI. From 1 January 2007 to 30 October 2015, funds under CDPL's management achieved a return of 1.70% per annum, underperforming the MSCI ACWI which in that period recorded 2.26% per annum.

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

Performance as at 30 OCT 2015 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	15.37	0.81
Annualised Return	1.73	0.10

* Cumulative Returns are measured since inception.

(Note: Information is current as at 30 OCT 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\$200m, 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.

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](http://www.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

OTHER INFORMATION

October 2015, CDAM achieved a net compound return of 14.09% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year except in year 2009, 2010, 2012, 2013 and 2014, which gained 5.80% 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.

[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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INDEPENDENCE * INTELLIGENCE * INTEGRITY

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