

i Capital Global Fund



Quarterly Investment Report
For the period 1 Nov 2015 to 31 Jan 2016

CONTENTS

2	ICGF at a glance
4	Performance Review
4	Market Review and Outlook
7	Statement of Comprehensive Income (Unaudited)
8	Statement of Financial Position (Unaudited)
9	Statement of Changes in Net Assets Attributable to Holders of Participating Shares (Unaudited)
10	Statement of Cash Flows (Unaudited)
11	Schedule of Securities (Unaudited)
12	Other Information
14	Glossary
16	Notes

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**

Capital Dynamics (S) Private Limited
112 Robinson Road
#13-04 Robinson 112
Singapore 068902
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 2016.

In the three months ended 29 January 2016, the net asset value (NAV) of the *i* Capital Global Fund decreased 2.34% or US\$27.018 from US\$1,153.718 to US\$1,126.700 per share. In the same period, the MSCI All Country World Index (MSCI ACWI)^[2] decreased 8.81%.

Between 6 July 2007 and 29 January 2016, the NAV of the *i* Capital Global Fund gained 12.67% or US\$126.700 from US\$1,000.000 to US\$1,126.700 per share. In the same period, the MSCI ACWI decreased 8.07%.

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.

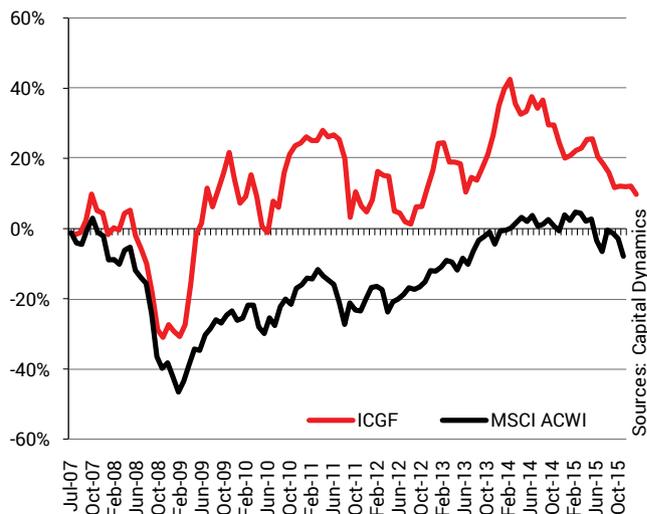
The portfolio of your Fund is spread across 3 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 11.

MARKET REVIEW AND OUTLOOK

Is Brexit^[3] to be feared? It is not so much Brexit happening that is to be feared, as the timing of it. Why?

Globally, economies based on Western style democracies are or have been in crisis, both minor and serious. In some cases, the problems are confined to economics but more often than not, the crisis is a complex knot of economic and political issues.

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



The top 3 investments as at 29 January 2016 were Rexlot Holdings Ltd, Dah Chong Hong and QBE Insurance Group. They made up 16.35% of the total assets. At the end of January 2016, your Fund had 83.68% of its NAV in cash.

Previously stable countries like Libya, Tunisia, Syria, Iraq, and Egypt are all in turmoil, with no sustainable solution in sight. Turkey, Brazil and South Africa have gone from being a political economy model to have-been as economic problems bring out the many weaknesses of Western-style democracies. Thailand, formerly a Southeast Asian role model, has been suffering from devastating democratic deadlocks. Malaysia has within a relatively short period of time,

become a failed state with a political vacuum that no political party can effectively fill. These economies do not matter; they are too small, even on a collective basis. It is the decline of the massive European, the Japanese and the American economies that carry a far greater significance to Western-style democracies. Their decline has made many countries search for alternate political economy models.

Like Italy, Japan is another has-been that just cannot get out of the inherently corrupted structure. Japan has been stagnating for so long and has seen so many changes in prime ministers that her voters have given up. Since 2008, Europe has struggled to create economic growth. Quantitative easing and negative interest rate have been the only “innovative” responses. Greece, Italy, Portugal, Spain and even France continue to stumble on political economic paths that lead to nowhere. Given the deep seated frustrations, the rise of extreme nationalist political parties or the decline of Western-style democracy in almost every European country is not a coincidence; it is the logical outcome of an inherently weak political system that has disappointed the British and European voters again and again. Despite a powerful 7-year old stock market rally, and a 4.7% unemployment rate, the American approach should have cheered the American people. Alas, the “innovative” quantitative easing and endless political bitching have led millions of frustrated angry Americans looking up to non-establishment politicians like Donald Trump and Bernie Sanders to make America great again.

It is not an exaggeration to say that Western-style democracy is in a serious crisis. What good is such a political approach if it continually fails to deliver what the people want? The persistent inability of Europe, Japan and even America to revive their economies has meant that Western-style democracies may have to be

fundamentally modified or even replaced by other approaches. The other political economy approach that immediately comes to mind originates from China.

Professor Daniel Bell has written a brilliant book on China’s approach. “The China Model” takes a comparative look at China’s political philosophy and one which is based on Western-style democracy. He brilliantly dissects the uniqueness of China’s successful political approach and tears apart the wrongly perceived notion that a “one person one vote” system is better. “The China Model” is a must read.

In just about 40 odd years, China has successfully moved from being a poor economy to a middle-income one and will, over the next few decades, move to a developed economy. There is no formal name for this China approach. One can call it socialism^[4] or capitalism^[5] with Chinese characteristics; the important point is it works. China’s economic growth and development have brought about solid progress across all segments to her 1.4 billion people and no less important, the Chinese people have hopes, they have optimism, and they look forward to even better days in the decades to come.

If one thinks that China’s political economy success is confined to only the last 40 odd years, one would have grossly misunderstood or underestimated China’s rich, deep and vast political economy achievements. Stretching more than 2,500 years, these achievements have enriched many other nations and civilisations, one of which was pre-Enlightened Europe.

“The Path” by Professor Michael Puett is another must read. His book takes a different approach; he focuses on what we, in the modern life and age, can learn

from the philosophies of Confucius, Laozi, Mencius, Zhuangzi, Xunzi and more. Do not be put off by this approach and think it would be difficult to understand. Professor Michael Puett teaches in Harvard University and his class on Chinese philosophy is the 3rd most popular class, after introductory economics and computer science.

Professor Michael Puett wrote:

“As early as the sixteenth century, Jesuits^[6] started travelling to China. They were stunned by what they saw. And they began writing accounts to describe it: bureaucracies^[7] run by an educated elite, not aristocrats; laws applying to all, whether peasant or aristocrat; people who became educated in order to take a civil service exam; social mobility through a meritocracy^[8]. All this was simply unheard of in Europe ... Two centuries later, these accounts helped to spawn an entire movement in Europe called the Enlightenment^[9].”

It is very clear that China had long ago discovered, developed and practiced a highly successful political economy approach even when Europe was in her primitive state and when the United States of America was essentially made up of many independent pre-conquered Native American states. Then, there was a very disruptive break in China's long and highly successful journey. Dominated by many foreign powers for a prolonged period, China, under the Communist Party^[10] and Mao Tzetung, was able to rebuild the nation. The successful rebuilding cannot be seen only from the perspective of the last 40 odd years; this would overestimate the impact of Deng Xiaoping and underestimate the endless contributions from the Communist Party of China, Mao Tzetung and the 2,500 years of successful growth and development. When viewed in its entirety, one can understand why China's successful approach can provide an alternative approach. The full impact of Brexit can only be truly

understood when viewed in this larger context.

Dusan Prorokovic, an executive director of the Center for Strategic Alternative in Belgrade, brings us up to date on the impact of the Chinese approach. As part of president Xi Jinping's recent visit to East Europe, Dusan wrote:

“The Western model for future post-Yugoslav space has proven unsuccessful. After the deepening of global financial crisis, the West is no longer offering successful development model. Instead, it is putting political pressures that generate tensions ... Moreover, Serbians have not forgotten China's political and economic help during the difficult years of war and sanctions. China's help may have been only symbolic, but it was hugely important. It made us feel that we are not alone. That is why President Xi will be welcomed in Serbia in a way that is rarely seen in Europe.”

Brexit is to be feared.

At the time of writing this commentary, the *i* Capital Global Fund still has a high cash level even though it continues to make more purchases. The NAV of the *i* Capital Global Fund can be viewed at either www.capitaldynamics.com.sg or www.funds.icapital.biz.

Best wishes,

陳鼎武

Tan Teng Boo
Director
Capital Dynamics (S) Private Limited
28 June 2016

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31 January 2016

	US\$
Income	
Interest Income	1,612
Total investment income	<u>1,612</u>
Expenses	
Management fees	127,078
Professional fees	8,489
Administrative & Custodian fees	18,000
Other expenses	968
Total expenses	<u>154,535</u>
Net investment loss	<u><u>(152,923)</u></u>
Gain/(loss) on investment and foreign currency transactions	
Net change in unrealised loss on securities transactions	(539,839)
Net loss on foreign currency transactions	(105,178)
Net loss on investment and foreign currency transactions	<u><u>(645,017)</u></u>
Net change in net assets attributable to holders of participating shares resulting from operations	<u><u>(797,940)</u></u>

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 January 2016

	US\$
Assets	
Cash and cash equivalents	27,900,061
Investments in securities, at fair value (cost US\$ 7,635,172)	5,440,129
Other receivables	865
Total Assets	<u>33,341,055</u>
Liabilities	
Management fee payable	41,645
Other payables	25,152
Total Liabilities	<u>66,797</u>
Net assets attributable to the shareholders of the Fund	<u><u>33,274,258</u></u>
Net assets attributable to:	
Participating shares	33,274,248
Management shares	10
Net assets attributable to the shareholders of the Fund	<u><u>33,274,258</u></u>
Net asset value ("NAV") per participating share	
Based on 29,532 participating shares outstanding (October 2015: 29,619)	<u><u>1,126.70</u></u>

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

For the financial period ended 31 January 2016

US\$

Net change in net assets attributable to holders of participating shares resulting from operations	<u>(797,940)</u>
Capital transactions	
Redemption of participating shares during the financial period	<u>(100,000)</u>
Net change in net assets attributable to holders of participating shares resulting from capital transactions	<u>(100,000)</u>
Net change in net assets attributable to holders of participating shares for the period	(897,940)
Net assets attributable to holders of participating shares at beginning of period	<u>34,172,188</u>
Net assets attributable to holders of participating shares at end of period	<u><u>33,274,248</u></u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31 January 2016

US\$

Cash flows from operating activities

Net change in net assets attributable to holders of participating shares resulting from operations (797,940)

Adjustment to reconcile net change in net assets attributable to holders of participating shares resulting from operations to net cash used in operating activities :

Changes in operating assets and liabilities

Investments in securities, at fair value	539,840
Other receivables	741
Management fee payable	(1,124)
Other payables	(3,060)

Net cash flows used in operating activities (261,543)

Cash flows from financing activities

Redemption of participating shares (100,000)

Net cash flows used in financing activities (100,000)

Net change in cash and cash equivalents for the period (361,543)

Cash and cash equivalents at the beginning of the period 28,261,604

Cash and cash equivalents at the end of the period 27,900,061

Supplemental disclosure of cash flow information

Interest received 1,636

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31 January 2016

	Holdings as at 31-Jan-16	Fair Value as at 31-Jan-16	Percentage of total net assets attributable to shareholders at 31-Jan-16
	No. of Shares	US\$	%
DISTRIBUTORS			
DAH CHONG HONG	3,300,000	1,241,908	3.73
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	3,044,723	9.15
INSURANCE			
QBE INSURANCE GROUP LTD	150,000	1,153,498	3.47
		5,440,129	16.35

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to January 2016, the *i* Capital Global Fund performance is 1.40% per annum, as opposed to -0.98% per annum for the MSCI ACWI. From 1 January 2007 to 29 January 2016, funds under CDPL's management achieved a return of 1.43% per annum, outperforming the MSCI ACWI which in that period recorded 1.21% per annum.

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

Performance as at 29 Jan 2016 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	12.67	-8.07
Annualised Return	1.40	-0.98

* Cumulative Returns are measured since inception.

(Note: Information is current as at 29 January 2016.)

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) Private Limited (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) Limited (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

OTHER INFORMATION

returns since its inception. Between April 1998 and January 2016, CDAM achieved a net compound return of 13.88% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year except in year 2009, 2010, 2012, 2013, 2014 and 2015 which gained 5.72% 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.

[3] Brexit

Brexit is an abbreviation of “British exit”, which refers to the June 23, 2016 referendum by British voters to exit the European Union.

GLOSSARY

[4] Socialism

A political and economic theory of social organisation which advocates that the means of production, distribution, and exchange should be owned or regulated by the community as a whole.

[5] Capitalism

An economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state.

[6] Jesuits

A member of the Society of Jesus, a Roman Catholic order of priests founded by St Ignatius Loyola, St Francis Xavier, and others in 1534, to do missionary work. The order was zealous in opposing the Reformation. Despite periodic persecution it has retained an important influence in Catholic thought and education.

[7] Bureaucracies

Systems of government in which most of the important decisions are taken by state officials rather than by elected representatives.

[8] Meritocracy

Government or the holding of power by people selected according to merit.

[9] Enlightenment

A European intellectual movement of the late 17th and 18th centuries emphasising reason and individualism rather than tradition. It was heavily influenced by 17th-century philosophers such as Descartes, Locke, and Newton, and its prominent figures included Kant, Goethe, Voltaire, Rousseau, and Adam Smith.

[10] Communist party

A political party based on the principles of Marxism-Leninism, and believing that most economic activity (such as factories, banks, and farming) should be owned or controlled by the government.

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.

© Capital Dynamics (S) Private Limited. All Rights Reserved.

® "Capital Dynamics" and "i Capital" are registered trademarks.



iCapital[®]
BY Capital Dynamics

INDEPENDENCE * INTELLIGENCE * INTEGRITY

Capital Dynamics (S) Private Limited

112 Robinson Road, #13-04
Robinson 112, Singapore 068902
Tel: (+65) 6224 8055/56/58
Fax: (+65) 6224 8057
www.capitaldynamics.biz
cdpl.info@icapital.biz