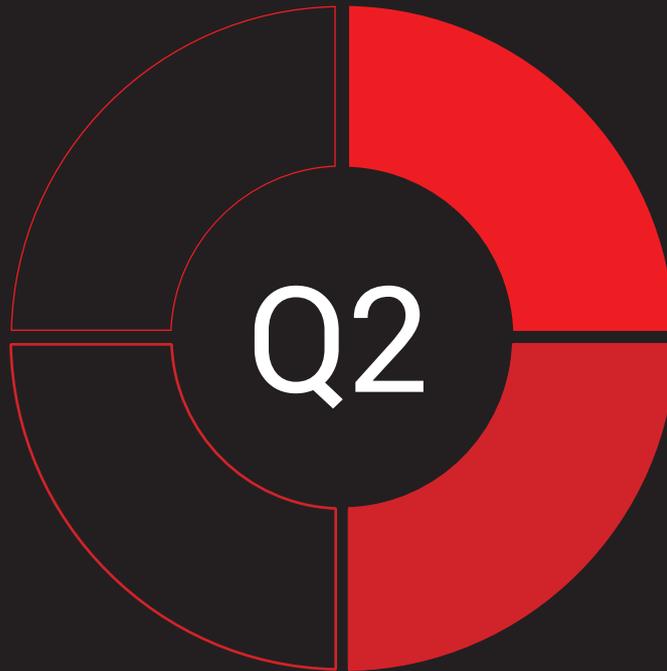


i Capital Global Fund



Quarterly Investment Report
For the period 1 Aug 2016 to 31 Oct 2016

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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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**Registered Office of the
Fund**

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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 second quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2017.

In the three months ended 31 October 2016, the net asset value (NAV) of the *i* Capital Global Fund decreased 2.04% or US\$21.879 from US\$1,070.547 to US\$1,048.668 per share. In the same period, the MSCI All Country World Index (MSCI ACWI) ⁽²⁾ decreased 1.22%.

Between 6 July 2007 and 31 October 2016, the NAV of the *i* Capital Global Fund gained 4.87% or US\$48.668 from US\$1,000.000 to US\$1,048.668 per share. In the same period, the MSCI ACWI increased 0.75%.

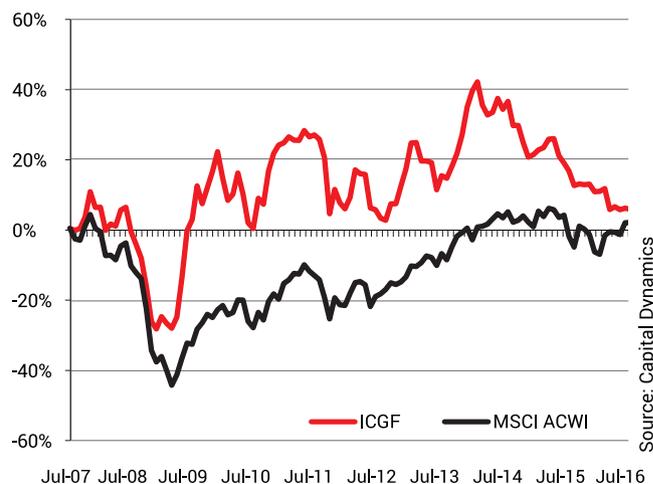
Figure 1 shows the NAV of the *i* Capital Global Fund against the performance of the MSCI ACWI since its launch which was just before the financial markets and economies were seriously affected by the 2008 US-led financial crisis. Since then, your Fund has consistently outperformed the MSCI ACWI.

The portfolio of your Fund is spread across 8 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 12.

MARKET REVIEW AND OUTLOOK

There were 3 factors that affected the NAV of ICGF in the last 2 odd years. One, ICGF did not have any exposure to the NYSE or NASDAQ during that time. Two, a few of the stocks that were held by ICGF were not performing well. Three, ICGF held a very high level of cash – it reached a high of 86.98% in the last 2 odd years. Of these 3 factors, the high cash level was the biggest drag on the NAV's performance of ICGF as cash was the biggest asset of ICGF.

Figure 1 ICGF NAV vs MSCI ACWI (6 JUL 2007 - 31 OCT 2016)



The top 5 investments as at 31 October 2016 were Zhejiang Expressway, Air China Ltd, Dah Chong Hong, QBE Insurance and Rexlot Holdings. They made up 31.80% of the total assets. At the end of October 2016, your Fund had 65.04% of its NAV in cash.

We have in our past commentaries shared our reasons for holding the high cash level but just to recapitulate the main points. We were concerned with the rich valuation of the NYSE and NASDAQ, especially when set against a backdrop of an unprecedented US monetary policy with prolonged near zero interest rate. As a highly disciplined value investor, we were extremely concerned with the lack of safety margin. By holding the high cash level, we were primarily aiming at protecting the capital of our investors. A side-effect of this meant that the NAV

performance of ICGF would be penalised. In so doing, investors may not realise that CDPL had to also sacrifice all its past performance for the sake of capital protection. For example, from its inception in July 2007 to January 2014, the *i* Capital Global Fund performance was 6.08% per annum, far outperforming the negative 0.61% per annum return for the MSCI ACWI. By holding a high cash level, this would drag down the annual compound return of ICGF. What do we mean?

For Capital Dynamics (S) Pte Ltd to earn a performance fee, it has to achieve a return of 6% for that particular calendar year AND an annual compound return of 6%, computed from July 2007. With the almost zero interest rate regime, holding a high level of cash meant that it would be almost impossible for ICGF to achieve a 6% return for a particular calendar year. At the same time, it also meant that the past annual compound return of 6% achieved since July 2007 was being surrendered for the sake of protecting our investors' long-term interest. Looking at it another way, in order for us to qualify to earn any future performance fee, we would have to build up the annual compound return of ICGF all over again to at least 6%. What this means in simple terms is that the future return of ICGF is free of performance fee as we build to surpass the 6% annual compound hurdle again.

When investing, we need to consider both the upside potential and the downside risks. The recent few years have seen an endless flow of unprecedented events and happenings. Some of these are the prolonged quantitative easing and near zero interest rate, Brexit, election of Trump, the rise of anti-globalisation, the emergence of many disruptive technologies, etc. And all these set against a background of a richly valued NYSE. It would have been irresponsible to ignore the downside risks. By foregoing opportunities, it meant that we have to be more patient as we wait for better opportunities to come. However, taking unnecessary risks could have

generated a serious and permanent loss of capital, a consequence that can be very serious as many of our investors are already at an elderly age. There is no doubt that Capital Dynamics (S) Pte Ltd had its investors' interest at heart at all times and it was the right thing to do. For the astute investor, the high cash level is an excellent time for investors to invest more in the *i* Capital Global Fund.

To quote Fred Schwed Jr, "Speculation is an effort, probably unsuccessful, to turn a little money into a lot. Investment is an effort, which should be successful, to prevent a lot of money from becoming a little."

At the time of writing this commentary, your Fund's cash holding has dropped below 40% of its NAV. A major reason why this has happened is because we have been able to purchase some attractively valued China stocks, listed either in China, Hong Kong or Singapore. These stocks make up 40% of your Fund's current NAV. While such a move may seem contrarian, it is heartening to note that Charlie Munger concurs. In the recent AGM of Berkshire Hathaway, Charlie Munger said that China's stock market is cheaper than America's and in it will outperform America's stock market in the longer-term. Our reasoning is simple. These stocks represent a lower risk, higher return proposition.

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
13 May 2017

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31 October 2016

	US\$
Income	
Dividend income (net of withholding tax of US\$ 271)	44,809
Interest income	7,622
Total investment income	52,431
Expenses	
Management fees	112,600
Professional fees	6,907
Administrative & Custodian fees	18,107
Other expenses	1,233
Total expenses	138,847
Net investment loss	(86,416)
Gain/(loss) on investment and foreign currency transactions	
Net change in unrealised loss on securities transactions	(506,224)
Net loss on foreign currency transactions	(39,362)
Net loss on investment and foreign currency transactions	(545,586)
Net change in net assets attributable to holders of participating shares resulting from operations	(632,002)

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 October 2016

	US\$
Assets	
Cash and cash equivalents	19,453,534
Investments in securities, at fair value (cost US\$14,489,551)	10,261,017
Dividends receivable	905
Interest receivable	2,478
Other receivables	733
Total Assets	<u>29,718,667</u>
Liabilities	
Management fee payable	36,677
Other payables	377,318
Total Liabilities	<u>413,995</u>
Net assets attributable to the shareholders of the Fund	<u><u>29,304,672</u></u>
Net assets attributable to:	
Participating shares	29,304,662
Management shares	10
Net assets attributable to the shareholders of the Fund	<u><u>29,304,672</u></u>
Net asset value ("NAV") per participating share	
Based on 27,945 participating shares outstanding (July 2016: 28,739)	<u><u>1,048.67</u></u>

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

For the financial period ended 31 October 2016

	US\$
Net change in net assets attributable to holders of participating shares resulting from operations	<u>(632,002)</u>
Capital transactions	
Redemption of participating shares during the financial period	<u>(829,643)</u>
Net change in net assets attributable to holders of participating shares resulting from capital transactions	<u>(829,643)</u>
Net change in net assets attributable to holders of participating shares for the period	<u>(1,461,645)</u>
Net assets attributable to holders of participating shares at beginning of period	<u>30,766,307</u>
 Net assets attributable to holders of participating shares at end of period	 <u><u>29,304,662</u></u>

STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31 October 2016

US\$

Cash flows from operating activities

Net change in net assets attributable to holders of participating shares resulting from operations (632,002)

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 (257,540)

Dividends receivable (905)

Interest receivable 164

Other receivables 580

Management fee payable (1,829)

Other payables 343,940

Net cash flows used in operating activities (547,592)

Cash flows from financing activities

Redemption of participating shares (829,643)

Net cash flows used in financing activities (829,643)

Net change in cash and cash equivalents for the period (1,377,235)

Cash and cash equivalents at the beginning of the period 20,830,769

Cash and cash equivalents at the end of the period 19,453,534

Supplemental disclosure of cash flow information

Dividends received 44,175

Interest received 7,786

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31 October 2016

	Holdings as at 31-Oct-16 No. of Shares	Fair Value as at 31-Oct-16 US\$	Percentage of total net assets attributable to shareholders at 31-Oct-16 %
AIRLINES			
AIR CHINA LTD-H	3,834,000	2,521,409	8.60
DISTRIBUTORS			
DAH CHONG HONG	3,300,000	1,382,988	4.72
DIVERSIFIED CONSUMER SERVICES			
OVERSEAS EDUCATION LTD	333,900	105,505	0.36
HEALTH CARE EQUIPMENT & SUPPLIES			
CLOVER CORP LTD	166,529	74,112	0.25
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	917,027	3.13
INSURANCE			
QBE INSURANCE GROUP LTD	150,000	1,139,984	3.89
REAL ESTATE MANAGEMENT & DEVELOPMENT			
CHINA NEW TOWN DEVELOPMENT	15,222,650	765,231	2.61
TRANSPORTATION INFRASTRUCTURE			
ZHEJIANG EXPRESSWAY CO-H	3,200,000	3,354,761	11.45
		10,261,017	35.01

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to October 2016, the *i* Capital Global Fund performance is 0.51% per annum, as opposed to 0.08% per annum for the MSCI ACWI. From 1 January 2007 to 31 October 2016, funds under CDPL's management achieved a return of 0.72% per annum, underperforming the MSCI ACWI which in that period recorded 2.03% per annum.

The Fund's performance for the *i* Capital Global Fund as at 31 October 2016 is shown below:

Performance as at 31 October 2016 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	4.87	0.75
Annualised Return	0.51	0.08

* Cumulative Returns are measured since inception.
(Note: Information is current as at 31 October 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 Berhad, a closed-end fund listed on Bursa Malaysia and discretionary accounts.

OTHER INFORMATION

CDAM has been consistently reporting positive returns since its inception. Between April 1998 and October 2016, CDAM achieved a net compound return of 13.47% 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 5.50% 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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