

## DIRECTORY FOR THE FUND

### *Directors of the Fund*

Tan Teng Boo  
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### *Administrator*

HSBC Trustee (Cayman) Limited

### *Administrator's Delegate*

HSBC Institutional Trust Services (Singapore)  
Limited

### *Custodian to the Fund*

HSBC Trustee (Cayman) Limited

### *Legal Advisers as to Cayman Law*

Walkers

### *Legal Advisers as to Singapore Law*

Rajah & Tann

### *Auditors to the Fund*

PricewaterhouseCoopers Cayman

# *i* Capital Global Fund

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## **Quarterly Report for the period 1 May 2008 to 31 January 2009**



# **i Capital Global Fund**

## Interim Report of the Fund Manager for the period 1 May 2008 to 31 January 2009

### **Performance**

This is the third quarterly report of the *i Capital Global Fund* for the year ending 30th April 2009.

For the period between 31st July 2008 and 31st January 2009, the net asset value (NAV) of the *i Capital Global Fund* fell by 28.81% or US\$272.355 from US\$945.143 to US\$672.788 per share. This compares with a 38.62% fall in the MSCI World Index <sup>(1)</sup> (MSCIW) and a 39.84% fall in the MSCI All Country Index <sup>(2)</sup> (MSCIA) during the said period.

From inception on 6th July 2007 to 31 January 2009, the NAV of the *i Capital Global Fund* has fallen by 32.72%. This compares with a 48.58% plunge in the MSCI World Index <sup>(1)</sup> (MSCIW) and a 49.01% dive in the MSCI All Country Index <sup>(2)</sup> (MSCIA) during the said period.

In the 3 months ending 31st January 2009, the *i Capital Global Fund* made additional investments in REXLot (formerly Rexcapital Financial), Chaoda Modern and Keppel Corporation. By the end of January 2009, your Fund has slightly over US\$6.00 million in cash, as opposed to US\$12.38 million at the end of October 2008.

The portfolio of the *i Capital Global Fund* as at 31st January 2009 is spread across 13 companies, engaged in a wide range of business activities (for details, refer to the schedule of securities). As at end January 2009, the top five investments are Oil Search, REXLot, Shanghai Industrial Holdings, Keppel Corporation and Tesco plc.

### **Strategy**

It is now over nine months since the collapse of the Lehman Brothers created The Lehman Panic, which then very quickly led to a global panic. Economic activities throughout the world came to a grinding halt abruptly. In response to this gross but inexplicable policy mistake made by the US government, governments in many parts of the world responded with emergency stimulus packages. The largest and most important ones came from China and the US.

China has very efficiently got into action while the impact in the US will be seen starting from the second half of 2009. Hence, China's economy has speedily regained its growth momentum with many bamboo shoots sprouting. At the time of writing this report, the US economy is also giving signs of economic although in a more tentative manner. It is clear that our optimism, expressed in our last report, that the worst was probably over, has now come to pass. Indeed, pessimism did reach an irrational level back then.

It is clear that the *i Capital Global Fund* has, in the period between October 2008 and January 2009, made a number of investments in either new companies or added on to its existing positions. As a result, the cash level of your Fund has dropped substantially.

John Templeton said that the time to invest is at the point of maximum pessimism while the genius strategist, Sun Tzu, advised that in times of war, prepare for peace. And as I would put it: "Bull markets are born in bear markets." Such maxims, simplistic though they sound, are extremely useful as they provide a more balanced perspective of where we are and what one should do.

There is no doubt that the 2007-2009 bear market was severe and global in scope. Together with the troubles facing the many large, long established Western financial institutions, it is therefore not surprising that investors easily lost sight of the larger picture and capitulated in fear and panic. The larger picture is that the world economy will eventually recover except that no one really knows when. Besides, your Fund is not a market timing type of fund. What we do know is that when such bearish periods occur, investing opportunities are inevitably thrown up.

Investing in such conditions typically creates low risk, high return-types of investment. Investors often do not realise that high risk does not lead to high return. They typically lead to no return or even losses. Moreover, if one can invest when market prices were much higher and the longer-term fundamentals of the company and its business have not changed, then, it would make sense to invest when market prices are much lower. The *i Capital Global Fund* invested substantially more in REXLot on this basis. Applying the same reasoning led Capital Dynamics (S) Pte Ltd to consistently advise its investors to invest more in the Fund. Some have heeded this advice.

Managing the Fund in these turbulent conditions has not been easy. Especially when the Fund is not allowed to short, borrow or gear up. Nevertheless, the worst thing that any fund manager can do is to change course or its strategy mid-way. We see no reason to do so despite the upheavals and will instead maintain our conservative, value investing approach.

Since the end of January 2009, the *i Capital Global Fund* has made more investments.

Tan Teng Boo  
Capital Dynamics (S) Pte Ltd  
30 June 2009

(1) This index comprises prices from 23 developed countries.

(2) This index comprises prices from 48 countries, including China.

**i CAPITAL GLOBAL FUND****Income Statement**

For the financial period from 1 May 2008 to 31 January 2009

	<b>For the financial period from 1 May 2008 to 31 January 2009 US\$</b>
<b>Income</b>	
Dividends	307,695
Interest income	56,913
Net foreign exchange loss	(50,744)
Net changes on financial derivatives	3
Other net changes on financial assets at fair value through profit or loss	(15,597,070)
<b>Total investment loss</b>	<b>(15,283,203)</b>
<b>Expenses:</b>	
Management fees	367,423
Administrative and Custodian fees	46,918
Audit fees	14,028
Other operating expenses	10,939
<b>Total operating expenses</b>	<b>439,308</b>
<b>Operating loss</b>	(15,722,511)
<b>Finance costs</b>	
Interest expense	(288)
<b>Total finance costs</b>	<b>(288)</b>
<b>Loss before tax</b>	<b>(15,722,799)</b>
Withholding tax on dividends and other investment income	(3,185)
<b>Decrease in net assets attributable to holders of participating shares from operations (at bid/asking market prices)</b>	<b>(15,725,984)</b>
Adjustment from bid market prices to last traded market prices	180,375
<b>Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)</b>	<b>(15,545,609)</b>

**i CAPITAL GLOBAL FUND****Balance Sheet**

As at 31 January 2009

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	<b>31 January 2009</b>
	<b>US\$</b>
<b>Assets</b>	
Financial assets at fair value through profit or loss	22,114,305
Financial derivatives at fair value	3
Other receivables	10
Cash and cash equivalents	6,223,881
<b>Total Assets</b>	<b>28,338,199</b>
<b>Equity</b>	
Management shares	10
<b>Total Equity</b>	<b>10</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Due to brokers	105,236
Accrued expenses and other payables	159,745
<b>Liabilities (excluding net assets attributable to holders of participating shares)</b>	<b>264,981</b>
<b>Net assets attributable to holders of participating shares</b> <b>(at bid/asking market prices)</b>	<b>28,073,208</b>
<b>Represented by:</b>	
Net assets attributable to holders of participating shares (at last traded market prices)	28,285,392
Adjustment from bid/asking market prices to last traded market prices	(212,184)
Net assets attributable to holders of participating shares (at bid/asking market prices)	28,073,208
Net assets value per holder of participating shares at bid/asking market prices, based on 42,042 shares outstanding	667.74

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**i CAPITAL GLOBAL FUND**

**STATEMENT OF CHANGES IN EQUITY**

For the financial period from 1 May 2008 to 31 January 2009

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	<b>For the financial period from 1 May 2008 to 31 January 2009</b>	
	<b>Number of shares</b>	<b>US\$</b>
<b>Equity at beginning of financial period</b>	10	10
Issue of management shares	-	-
<b>Equity at end of financial period</b>	<b>10</b>	<b>10</b>

**i CAPITAL GLOBAL FUND**

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

For the financial period from 1 May 2008 to 31 January 2009

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	<b>For the financial period from 1 May 2008 to 31 January 2009</b>	
	<b>Number of shares</b>	<b>US\$</b>
<b>Net assets attributable to holders of participating shares at 1 May (at bid market prices)</b>	37,559	39,922,829
<b>Represented by:</b>		
Adjustment from bid market prices to last traded prices	-	31,809
<b>Net assets attributable to holders of participating shares at 1 May (at last traded market prices)</b>	<b>37,559</b>	<b>39,954,638</b>
Proceeds from redeemable units issued	4,483	3,876,363
Redemption of redeemable units	-	-
Net increase from units transactions	4,483	3,876,363
Loss after tax	-	(15,725,984)
Adjustment from bid market prices to last traded market prices	-	180,375
<b>Net assets attributable to holders of participating shares at 31 January 2009 (at last traded market prices)</b>	<b>42,042</b>	<b>28,285,392</b>

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**i CAPITAL GLOBAL FUND**

**CASH FLOW STATEMENT**

For the financial period from 1 May 2008 to 31 January 2009

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	<b>For the financial period from 1 May 2008 to 31 January 2009</b>
	<b>US\$</b>
<b>Cash flows from operating activities</b>	
Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)	(15,545,609)
Adjustment for:	
Bid market prices to last traded market prices	(180,375)
Dividend income	(307,695)
Interest income	(56,913)
Tax expense	3,185
Interest expense	288
<b>Operating cash flow before working capital changes</b>	<b>(16,087,119)</b>
Changes in operating assets and liabilities	
Financial assets at fair value through profit or loss	5,969,737
Financial derivatives at fair value	(3)
Due to brokers	105,236
Accrued expenses and other payables	74,427
<b>Cash used in operations</b>	<b>(9,937,722)</b>
Dividend received, net of withholding tax	356,552
Interest received	58,004
<b>Net cash outflow from operating activities</b>	<b>(9,523,166)</b>
<b>Cash flows from financing activities</b>	
Interest paid	(288)
Proceeds from issue of units	3,876,363
<b>Net cash inflow from financing activities</b>	<b>3,876,075</b>
<b>Net increase in cash and cash equivalents held</b>	<b>5,647,091</b>
Cash and cash equivalents at the beginning of the financial period	11,870,972
<b>Cash and cash equivalents at the end of the financial period</b>	<b>6,223,881</b>

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**i CAPITAL GLOBAL FUND****NOTE TO THE FINANCIAL STATEMENTS**

As at 31 January 2009

**Schedule of securities**

	<b>Holdings as at 31 January 2009 No. of Shares</b>	<b>Fair Value as at 31 January 2009 USD</b>	<b>Percentage of total net assets attributable to unitholders at 31 January 2009 %</b>
<b>AGRICULTURE</b>			
CHAODA MODERN AGRICULTURE	2,840,875	1,817,070	6.47
<b>AUTOS &amp; TRUCKS</b>			
PORSCHE PFD NPV	35,000	2,022,848	7.21
<b>AEROSPACE</b>			
ROLLS-ROYCE GROUP PLC	90,000	429,806	1.53
<b>BANK</b>			
ST GALLER KANTONALBANK	6,527	2,091,879	7.45
<b>FINANCE</b>			
BANK OF EAST ASIA	500,000	1,009,717	3.60
REXCAPITAL FINANCIAL HOLDING LTD (now known as REXLot)	75,100,000	2,517,973	8.97
<b>FOODS</b>			
TESCO PLC	460,000	2,374,855	8.46
<b>HEALTHCARE</b>			
SONIC HEALTHCARE LTD	120,000	1,056,866	3.76
<b>MISCELLANEOUS</b>			
SHANGHAI ASIA HLDGS LTD	1,535,000	111,762	0.40
SHANGHAI INDUSTRIAL HLDGS LTD	1,200,000	3,085,632	10.99
<b>OIL &amp; GAS</b>			
CNPC HONG KONG LTD	1,500,000	429,419	1.53
OIL SEARCH LTD	1,000,000	2,759,806	9.83
<b>SHIPBUILDING</b>			
KEPPEL CORP LTD	900,000	2,406,672	8.57
		<b>22,114,305</b>	<b>78.77</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 June 2009, the *i* Capital Global Fund's performance gained 3.07%, as opposed to –40.91% for the MSCI World Index (MSCIW) and –39.97% for the MSCI All Country World Index (MSCIA). From 1 Jan 2007 to 30 June 2009, funds under CDPL's management achieved a return of 4.98% per annum, outperforming the MSCIW and MSCIA which in that period recorded -15.85% and –15.02% per annum respectively.

Capital Dynamics (Australia) Ltd (CDAL), a wholly owned subsidiary of CDPL, 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 June 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 S/B (CDAM), based in Kuala Lumpur, manages icapital.biz Berhad, a closed-end fund listed on Bursa Malaysia, and discretionary accounts. The share price of icapital.biz Berhad consistently trades at a premium to its net asset value.

CDAM has been consistently reporting positive returns since its inception. Between 1998 and May 2009, CDAM achieved a net compound return of 19.88% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 4.79% 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 S/B, 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 started as far back as Sep 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 investment.

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.

