

## DIRECTORY FOR THE FUND

### *Directors of the Fund*

Tan Teng Boo  
Sim Biow Ming Myra

### *Investment Manager*

Capital Dynamics (S) Private Limited  
8 Robinson Road  
#07-00, ASO Building  
Singapore 048544  
Tel. No. : 6224 8055/56/58  
Fax No. : 6224 8057  
Email : [cdpl@icapital.biz](mailto:cdpl@icapital.biz)

### *Registered Office of the Fund*

c/o HSBC Trustee (Cayman) Limited  
P.O. Box 484  
HSBC House  
68 West bay Road  
Grand Cayman KY 1-1106  
Cayman Islands

### *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

---

## Quarterly Report for the period 1 May to 31 October 2008



# **i Capital Global Fund**

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

### **Performance**

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

For the period between 31st July 2008 and 31st October 2008, the net asset value (NAV) of the *i Capital Global Fund* fell by 28.18% or US\$118.648 from US\$945.143 to US\$678.801 per share. This compares with a 29.96% fall in the Morgan Stanley World Index <sup>(1)</sup> and a 31.71% fall in the Morgan Stanley All Country Index <sup>(2)</sup> during the said period.

From inception on 6th July 2007 to 31 October 2008, the NAV of the *i Capital Global Fund* has fallen by 32.12%. This compares with a 41.32% plunge in the Morgan Stanley World Index <sup>(1)</sup> and a 42.12% dive in the Morgan Stanley All Country Index <sup>(2)</sup> during the said period.

In the first quarterly report for the year ending 30 April 2009, we pointed out that September 2008 was the single most momentous month since the US-led financial crisis broke out. The panic that ensued, which we call "The Lehman Panic", created a sudden and steep plunge in global economic activities and a severe decline in global equity markets. For the *i Capital Global Fund*, it recorded month-on-month plunges of 10.99% and 15.06% in September and October 2008 respectively. A major portion of the fall in the Fund's NAV since its inception occurred in these two months with the benchmark indices falling at an even steeper rate.

Since The Lehman Panic broke out, governments throughout the world have quickly responded in various forms. These have comprised large fiscal stimulus, aggressive monetary easing, speedy banks rescue and any other measure deemed necessary.

There has been progress, albeit gradually, in reversing the impact of The Lehman Panic. Governments have halted the panic that banks would collapse like ten-pins. The fierce credit squeeze that started in September 2008 is gradually easing. Economic conditions in key countries, particularly China, are showing signs of stabilisation and even recovery.

In the 3 months ending 31st October 2008, the *i Capital Global Fund* made additional investments in St Galler Kantonalbank, Rexcapital Financial (which is now known as REXLot) and Tesco Plc. After selling Oil Search earlier, the *i Capital Global Fund* decided to invest in Oil Search again, given the plunge in its share price and the price of crude oil.

By the end of October 2008, your Fund has about US\$12.38 million in cash, as opposed to US\$12.86 million at the end of July 2008.

The portfolio of the *i Capital Global Fund* as at 31st October 2008 is spread across 13 companies and they are engaged in a wide range of business activities (for details, refer to the schedule of securities). The top five investments are Porsche, Oil Search, St Galler Kantonalbank, Tesco and Shanghai Industrial Holdings.

### **Strategy**

For many, risk management and risk control only take place when a crisis has developed. For the *i Capital Global Fund*, risk management is contained within our sound, rational investment framework that is anchored on value investing. The inherent nature of stock markets is that it will always go up and down and up. Value investing does not guarantee that the value of your investment will not fluctuate. It certainly will and at times, in a volatile fashion. However, value investing allows us to focus on the right drivers of a business, which are typically longer-term in nature.

It is now about six months since the collapse of the Lehman Brothers created The Lehman Panic. There are preliminary signs that the worst is probably over and that pessimism probably reached an irrational level. In the ensuing recovery, companies like Tesco, Porsche, Shanghai Industrial and so on will benefit again. The conservative approach of your Fund allows us to participate in the inevitable economic and market recovery.

Since the end of October 2008, the *i Capital Global Fund* has made more investments and will continue to hunt for more bargains.

Tan Teng Boo  
Capital Dynamics (S) Pte Ltd  
30 March 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 October 2008

	<b>For the financial period from 1 May 2008 to 31 October 2008 US\$</b>
<b>Income</b>	
Dividends	300,380
Interest income	54,202
Net foreign exchange gain	52,823
Net changes on financial derivatives	(89,201)
Other net changes on financial assets and financial at fair value through profit or loss	<u>(15,346,599)</u>
<b>Total investment loss</b>	<b><u>(15,028,395)</u></b>
<b>Expenses:</b>	
Management fees	263,382
Administrative and Custodian fees	33,436
Audit fees	9,120
Other operating expenses	<u>3,786</u>
<b>Total operating expenses</b>	<b><u>309,724</u></b>
<b>Operating loss</b>	(15,338,119)
<b>Finance costs</b>	
Interest expense	<u>(288)</u>
<b>Total finance costs</b>	<b><u>(288)</u></b>
<b>Loss before tax</b>	<b>(15,338,407)</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><u>(15,341,592)</u></b>
Adjustment from bid market prices to last traded market prices	<u>30,058</u>
<b>Decrease in net assets attributable to holders of participating shares from operations (at last traded market prices)</b>	<b><u>(15,311,534)</u></b>

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

As at 31 October 2008

	<b>31 October 2008</b>
	<b>US\$</b>
<b>Assets</b>	
Financial assets at fair value through profit or loss	18,716,440
Other receivables	26,543
Cash and cash equivalents	12,382,627
<b>Total Assets</b>	<b>31,125,610</b>
<b>Equity</b>	
Management shares	10
<b>Total Equity</b>	<b>10</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Financial derivatives at fair value	89,201
Due to brokers	3,484,480
Accrued expenses and other payables	71,221
<b>Liabilities (excluding net assets attributable to holders of participating shares)</b>	<b>25,987</b>
<b>Net assets attributable to holders of participating shares (at bid/asking market prices)</b>	<b>3,644,902</b>
<b>Represented by:</b>	
Net assets attributable to holders of participating shares (at last traded market prices)	27,542,565
Adjustment from bid/asking market prices to last traded market prices	(61,867)
Net assets attributable to holders of participating shares (at bid/asking market prices)	27,480,698
Net assets value per holder of participating shares at bid/asking market prices, based on 40,575 shares outstanding	677.28

**i CAPITAL GLOBAL FUND**

**STATEMENT OF CHANGES IN EQUITY**

For the financial period from 1 May 2008 to 31 October 2008

---

	<b>For the financial period from 1 May 2008 to 31 October 2008</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 October 2008

---

	For the financial period from 1 May 2008 to 31 October 2008	
	Number of shares	US\$
<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	3,016	2,899,461
Redemption of redeemable units	-	-
Net increase from units transactions	<b>3,016</b>	<b>2,899,461</b>
Loss after tax	-	(15,341,592)
Adjustment from bid market prices to last traded market prices	-	30,058
<b>Net assets attributable to holders of participating shares at 31 October 2008 (at last traded market prices)</b>	<b>40,575</b>	<b>27,542,565</b>

---

**/ CAPITAL GLOBAL FUND****CASH FLOW STATEMENT**

For the financial period from 1 May 2008 to 31 October 2008

	<b>For the financial period from 1 May 2008 to 31 October 2008</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)	(15,311,534)
Adjustment for:	
Bid market prices to last traded market prices	(30,058)
Dividend income	(300,380)
Interest income	(54,202)
Tax expense	3,185
Interest expense	288
<b>Operating cash flow before working capital changes</b>	<b>(15,692,701)</b>
Changes in operating assets and liabilities	
Financial assets at fair value through profit or loss	9,367,602
Financial derivatives at fair value	89,201
Due to brokers	3,484,480
Accrued expenses and other payables	(14,097)
<b>Cash used in operations</b>	<b>(2,765,515)</b>
Dividend received	322,704
Interest received	55,293
<b>Net cash outflow from operating activities</b>	<b>(2,387,518)</b>
<b>Cash flows from financing activities</b>	
Interest paid	(288)
Proceeds from issue of units	2,899,461
<b>Net cash inflow from financing activities</b>	<b>2,899,173</b>
<b>Net increase in cash and cash equivalents held</b>	<b>511,655</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>12,382,627</b>

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

As at 31 October 2008

**Schedule of securities**

	<b>Holdings as at 31 October 2008 No. of Shares</b>	<b>Fair Value as at 31 October 2008 USD</b>	<b>Percentage of total net assets attributable to unitholders at 31 October 2008 %</b>
<b>AGRICULTURE</b>			
CHAODA MODERN AGRICULTURE	1,771,875	1,195,660	4.35
<b>AUTOS &amp; TRUCKS</b>			
PORSCHE PFD NPV	35,000	3,108,942	11.31
<b>AEROSPACE</b>			
ROLLS-ROYCE GROUP PLC CL C	5,148,000	8,318	0.03
ROLLS-ROYCE GROUP PLC	90,000	473,334	1.72
<b>BANK</b>			
ST GALLER KANTONALBANK	6,527	2,218,414	8.07
<b>FINANCE</b>			
BANK OF EAST ASIA	500,000	974,137	3.55
REXCAPITAL FINANCIAL HOLDING LTD	15,000,000	274,823	1.00
<b>FOODS</b>			
TESCO PLC	460,000	2,521,087	9.18
<b>HEALTHCARE</b>			
SONIC HEALTHCARE LTD	120,000	1,080,670	3.93
<b>MISCELLANEOUS</b>			
SHANGHAI ASIA HLDGS LTD	1,535,000	93,099	0.34
SHANGHAI INDUSTRIAL HLDGS LTD	1,200,000	1,842,474	6.71
<b>OIL &amp; GAS</b>			
CNPC HONG KONG LTD	1,500,000	642,069	1.72
OIL SEARCH LTD	1,000,000	2,968,875	10.80
<b>SHIPBUILDING</b>			
KEPPEL CORP LTD	500,000	1,509,536	5.49
		<b>18,716,440</b>	<b>68.11</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 31 March 2009, the *i* Capital Global Fund's performance is -30.59%, as opposed to -50.64% for the Morgan Stanley All Country World Index (MXWO) and -50.48% for the Morgan Stanley World Index (MXWD). From 1 Jan 2007 to 31 March 2009, funds under CDPL's management achieved a return of -12.39% per annum, outperforming the MXWO and MXWD which in that period recorded -23.79% and -23.38% per annum respectively.

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 March 2009, CDAM achieved a net compound return of 19.78% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year, which gained 3.16% 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 investments.

The Capital Dynamics group is independent and is therefore not part of any financial institution. Being owner-operated, the continuity and consistency of the investment approach adopted by the group is assured.