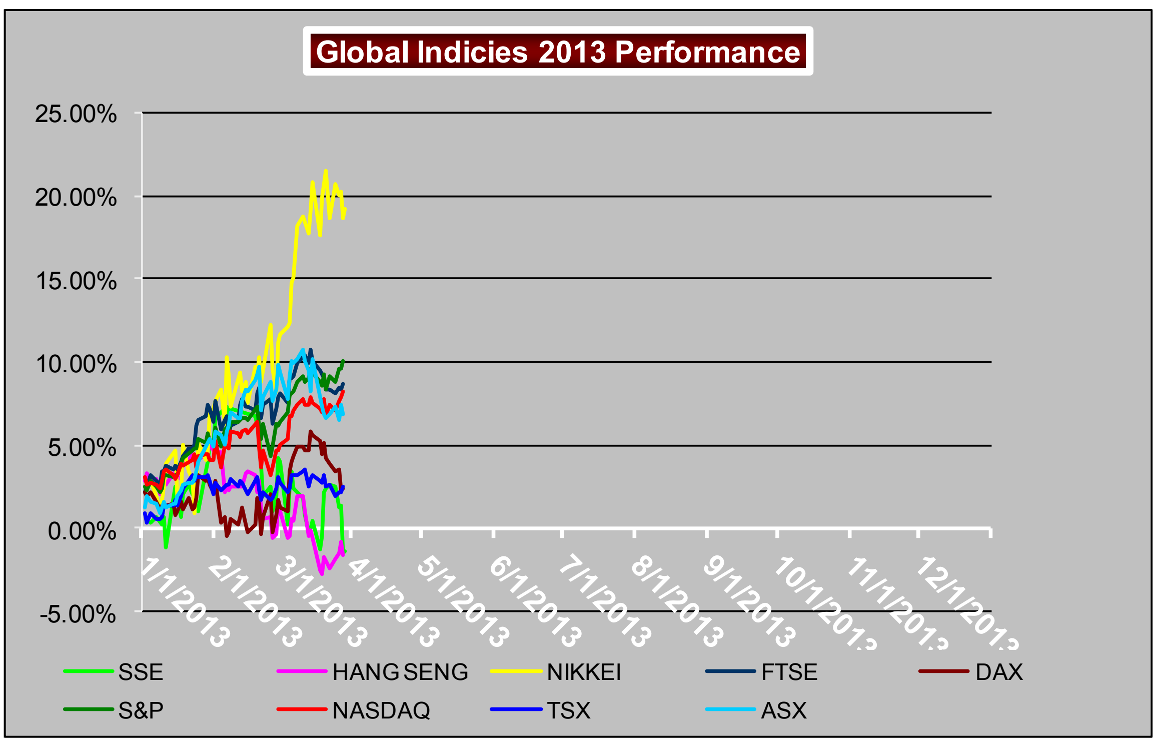
GDB April 2013 Newsletter

Monthly Market Summary:

2013 March Market Activity		
SSE COMPOSITE	***2,236.62***	-128.97 (-5.45%)
HANG SENG	***22,299.63***	-720.64 (-3.13%)
NIKKEI 225	***12,397.91***	+838.55 (+7.25%)
FTSE 100	***6,411.70***	+50.90 (+0.80%)
DAX	***7,795.31***	+53.61 (+0.69%)
DOW	***14,578.54***	+524.05 (+3.73%)
S&P 500	***1,569.19***	+54.51 (+3.60%)
NASDAQ COMPOSITE	***3,267.52***	+107.33 (+3.40%)
ASX 200	***4,966.50***	-137.60 (-2.70%)
TSX COMPOSITE	***12,749.90***	-71.90 (-0.56%)
TSX VENTURE	***1,099.00***	-34.36 (-3.03%)



Investment Themes:

Over the course of last month, shrugging off the bank bail-in in Cypress which many thought would have caused repercussion to the financial markets, the global stock markets continue its ascent to higher limits. The reversal many are expecting has yet to materialize.

Looking back at the year-to-date performances of the global equity markets, Japanese and the US equities have by far superseded all other major markets around the world. We believe the current rally we are seeing in these two markets are dislocated from the actual economic underpinning of the two countries, but rather, much more to do with the artificial stimulus created by the countries' central banks, namely the Federal Reserve (Fed) and the Bank of Japan (BOJ).

On April 4, the new BOJ Governor Haruhiko Kuroda promised to inject $1.4 trillion into the Japanese economy in less than two years through open-ended asset purchasing (buying Japanese government bond, ETFs, and Japanese real estate investment trusts), and said Japan's monetary base would double to 270 trillion yen by the end of 2014. After this unprecedented maneuver, the total expansion of the monetary base will be about 10% of Japan's GDP. To put that in perspective, the Fed's $85 billion monthly purchase of government bonds and mortgage securities amounts to only 6.8% of the total $15.1 trillion US GDP. So by unleashing the latest bout of quantitative easing (QE), Japan is surpassing the US as the most aggressive central bank in the world that is pumping liquidity into its economy.

Prior to the BOJ announcement, we are sensing some fatigue in the stock markets, especially after a rise in initial claims and weaker than expected and ISM data in the US in the beginning of April. In addition, in the last three years, the stock markets have adhered to the pattern of rallying in the first quarter only to see the growth tapered off or reversed in the second quarter starting in April. Given the amazing rally we have witnessed since the start of 2013, many street forecasters are cautioning the same for this spring. For these reasons, we were cautious going into the second quarter.

The announcement of fresh easing from BOJ has shifted our view 180 degrees. The stimulus just announced will provide the markets with fresh ammunition to go on. We are also retracting our previous short position on the Nikkei. The fresh round of liquidity will find its way into the Japanese stock market, and flood over into US equities driven by yield hungry investors with appetite for higher risk. The effects of previous rounds of US QE have clearly demonstrated a link to higher equity prices.

We expect the same to take effect in the equity markets from the latest round of BOJ easing. For the near term, we believe the bull market will be supported from the additional liquidity. Albeit, some black swan events that may throw the market off course are worth mentioning. They include: escalation of tension in North Korea, impasse in forming a ruling government in Italy, and deterioration in US growth from the sequester fall out.

Investment Opportunities:

1. **Sino-GDB Fund**
   Fund managed by GDB Capital. Event-driven investments using hedging strategies and combinations of long/short positions in equities, futures, and commodities and their derivatives. Fund targets gross pre-tax IRR of 20% per annum, and returned 107% in 2012. Minimum investment US$100,000. GDB will insure against investment losses up to 5% of investor's original investment.