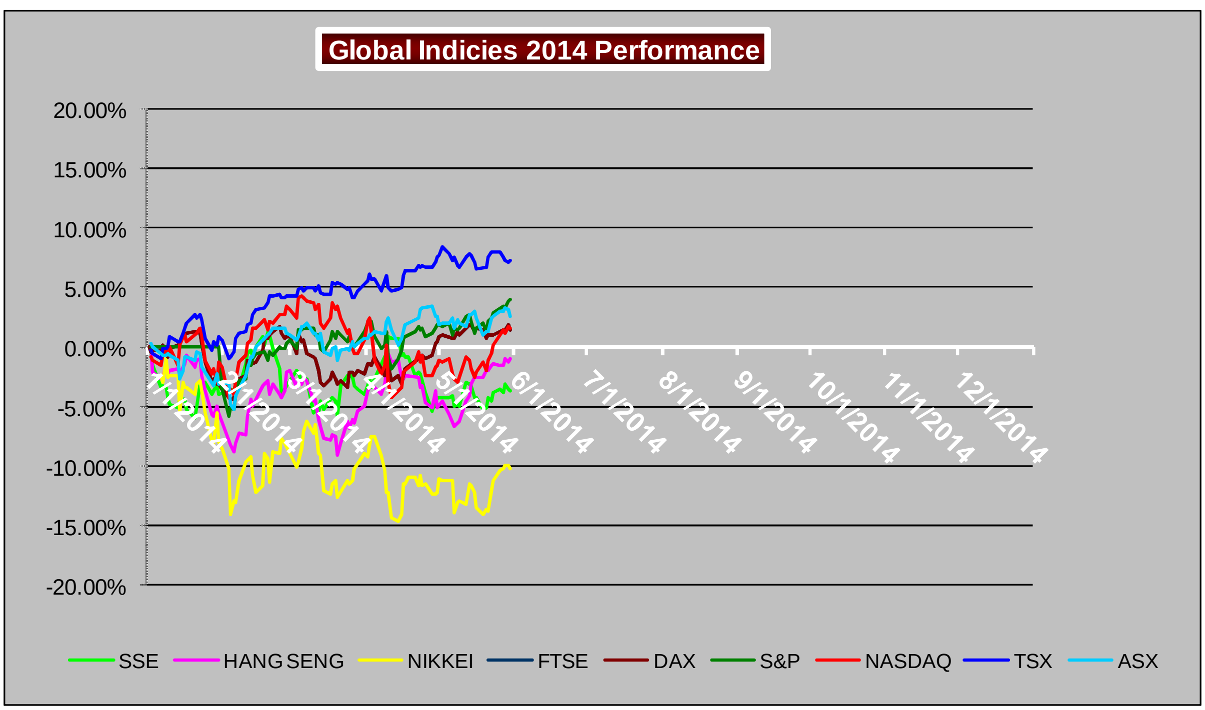
GDB June 2014 Newsletter

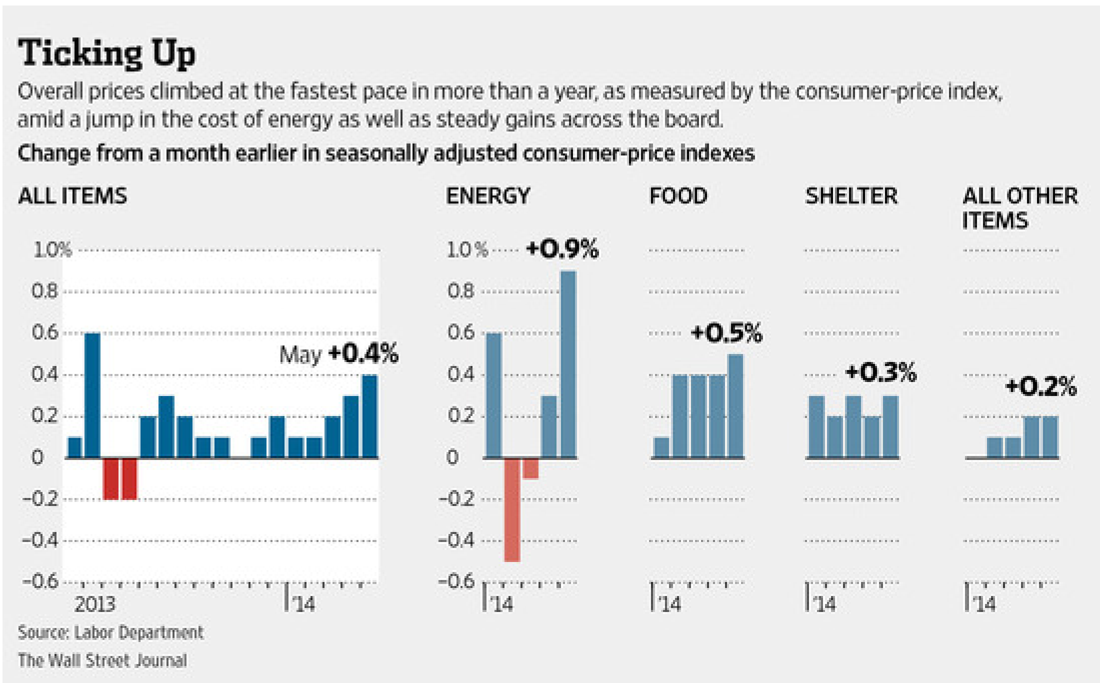
Monthly Market Summary:

2014 May Market Activity		
SSE COMPOSITE	***2,039.21***	+12.85 (0.63%)
HANG SENG	***23,081.65***	+947.68 (+4.28%)
NIKKEI 225	***14,632.38***	+328.27 (+2.29%)
FTSE 100	***6,844.50***	+64.50 (0.95%)
DAX	***9,943.27***	+340.04 (3.54%)
DOW	***16,717.17***	+136.33 (+0.82%)
S&P 500	***1,923.57***	+39.62 (+2.10%)
NASDAQ COMPOSITE	***4,242.62***	+128.06 (+3.11%)
ASX 200	***5,492.50***	+3.40 (+0.06%)
TSX COMPOSITE	***14,604.20***	-47.70 (-0.33%)



Investment Themes:

One piece of economic data that is generating some hawkish signal of late is the latest inflation data coming out from the US. In the latest report in May, consumer prices rose 0.4% from a month earlier, the most in more than a year. Annualized, consumer-price index is up 2.1% from a year ago period.

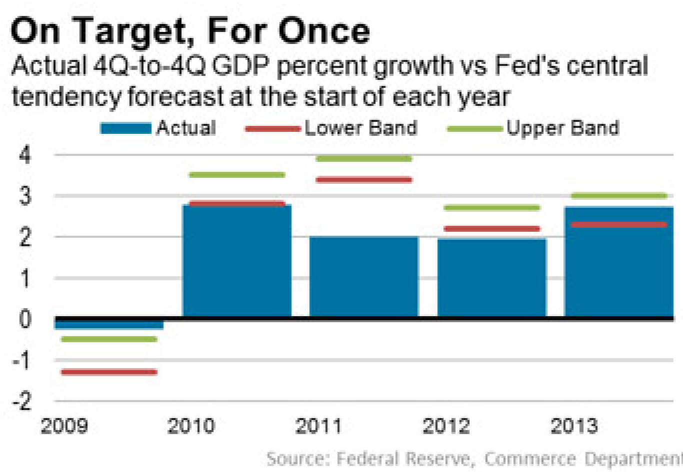


Inflation is an "invisible enemy" to returns generated by financial assets. It chips away at the purchasing power from the investment return earned. This is where central banks come in and use monetary policies to maintain price stability. However, raising the interest rate will increase the cost of fund for traders/investors; it will also increase the discount rate used for asset pricing. As a result, increase in interest rates, especially if it deviates from investors' expectations, can negatively impact the markets.

With May's figure coming in at 2.1% and above the Fed targeted inflation of 2%, many investors were wary that the Fed could shift up their timeline for raising the federal funds rate. However, in their latest meeting and decision in June, the Fed Chairwoman Janet Yellen brushed off the recent inflation data as "noise" in the market and announced that the committee will likely maintain the current target range of federal funds rate for a considerable time even after the asset purchase program ends.

This dovish tone from Yellen signals to investors that the Fed between ending the stimulus too early which may jeopardize growth and letting inflation get beyond its targeted range of 2%, the Fed would rather choose the former. The smart investors see this as a show of hand and after the decision announced on June 19, US, European, Asian equity markets all rose in tandem.

Now we know that Fed does not have the conviction to increase rates until the US economy starts firing on all cylinders. In the same FOMC meeting, Janet Yellen and company just slashed US GDP forecast by 0.7% for 2014. By looking at Fed's previous forecast at start of the year and where actual GDP percentage growth at end of year, we can see that the with the exception of 2013, the Fed's forecasts have consistently been overly optimistic when GDP is rising and pessimistic when GDP is falling:



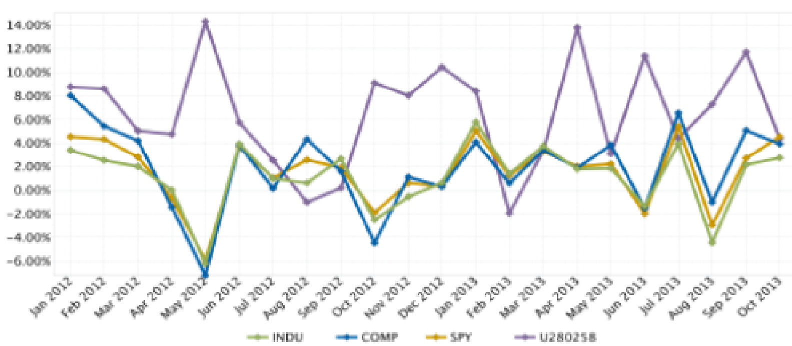
Our guess is that the US economy although recovering, still may not meet the Fed's projection. The Fed is backed into a corner in terms of raising interest rates. Without hitting growth projections, they are telling the market they will continue with the ultra easy monetary policy. But if inflation continues to rise, this means they are restricted in their ability to maneuver. If they choose to change their dovish course, it will cause a large enough negative jolt to the market to stall growth. So in the meanwhile, they are willing to tolerate inflation, even if it reaches beyond the Fed's target level.

Investment Opportunities:

1. GDB Monthly Income 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 108% in 2012 and 194% in 2013. Following are the benchmark comparisons of GDB Fund performance against the major US Indices.

Time Period **Benchmark Comparison**

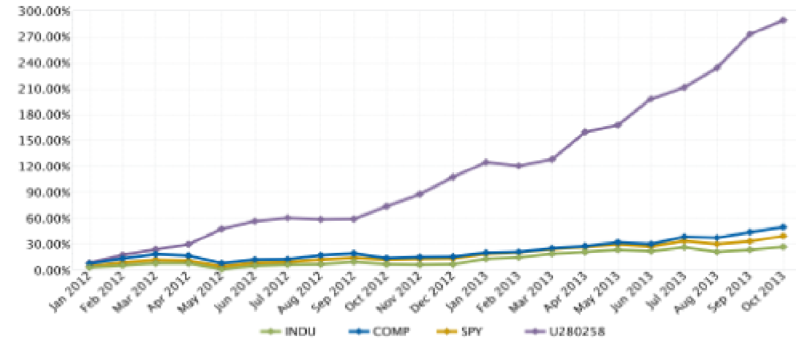


Date	INDU	COMP	SPY	U280258
Jan 2012	3.40%	8.01%	4.55%	8.77%
Feb 2012	2.53%	5.44%	4.31%	8.60%
Mar 2012	2.01%	4.20%	2.81%	5.03%
Apr 2012	0.01%	-1.46%	-0.68%	4.74%
May 2012	-6.21%	-7.19%	-5.92%	14.32%
Jun 2012	3.93%	3.81%	3.64%	5.73%
Jul 2012	1.00%	0.15%	1.06%	2.53%
Aug 2012	0.63%	4.34%	2.56%	-1.03%
Sep 2012	2.65%	1.61%	1.90%	0.18%
Oct 2012	-2.54%	-4.46%	-1.91%	9.12%
Nov 2012	-0.54%	1.11%	0.62%	8.03%
Dec 2012	0.60%	0.31%	0.32%	10.43%
Jan 2013	5.77%	4.06%	5.04%	8.38%
Feb 2013	1.40%	0.57%	1.22%	-1.94%

Date	INDU	COMP	SPY	U280258
Mar 2013	3.73%	3.40%	3.31%	3.37%
Apr 2013	1.79%	1.88%	2.00%	13.77%
May 2013	1.86%	3.82%	2.23%	3.09%
Jun 2013	-1.36%	-1.52%	-1.98%	11.38%
Jul 2013	3.96%	6.56%	5.41%	4.39%
Aug 2013	-4.45%	-1.01%	-2.97%	7.27%
Sep 2013	2.16%	5.06%	2.72%	11.74%
Oct 2013	2.75%	3.93%	4.54%	4.35%

Date	INDU	COMP	SPX	U4280258
Nov 2013	3.48%	3.58%	2.80%	6.49%
Dec 2013	3.05%	2.87%	2.36%	5.44%

Cumulative **Benchmark Comparison**



Date	INDU	COMP	SPY	U280258
Jan 2012	3.40%	8.01%	4.55%	8.77%
Feb 2012	6.01%	13.89%	9.06%	18.13%
Mar 2012	8.14%	18.67%	12.13%	24.07%
Apr 2012	8.15%	16.94%	11.37%	29.95%
May 2012	1.44%	8.53%	4.77%	48.56%
Jun 2012	5.42%	12.66%	8.58%	57.06%
Jul 2012	6.48%	12.83%	9.73%	61.03%
Aug 2012	7.15%	17.73%	12.54%	59.38%
Sep 2012	9.98%	19.62%	14.69%	59.66%
Oct 2012	7.19%	14.28%	12.49%	74.22%
Nov 2012	6.61%	15.55%	13.20%	88.22%
Dec 2012	7.26%	15.91%	13.56%	107.84%
Jan 2013	13.45%	20.61%	19.28%	125.27%
Feb 2013	15.04%	21.31%	20.74%	120.90%

Date	INDU	COMP	SPY	U280258
Mar 2013	19.32%	25.43%	24.74%	128.34%
Apr 2013	21.46%	27.78%	27.24%	159.78%
May 2013	23.72%	32.66%	30.07%	167.80%
Jun 2013	22.03%	30.64%	27.50%	198.28%
Jul 2013	26.86%	39.20%	34.39%	211.37%
Aug 2013	21.22%	37.80%	30.40%	234.01%
Sep 2013	23.84%	44.77%	33.94%	273.20%
Oct 2013	27.24%	50.46%	40.02%	289.44%
Jan 2012 to Oct 2013	27.24%	50.46%	40.02%	289.44%

Date	INDU	COMP	SPX	U4280258
Nov 2013	3.48%	3.58%	2.80%	6.49%
Dec 2013	6.63%	6.55%	5.23%	12.28%
Nov 2013 to Dec 2013	6.63%	6.55%	5.23%	12.28%

Total 301.72%