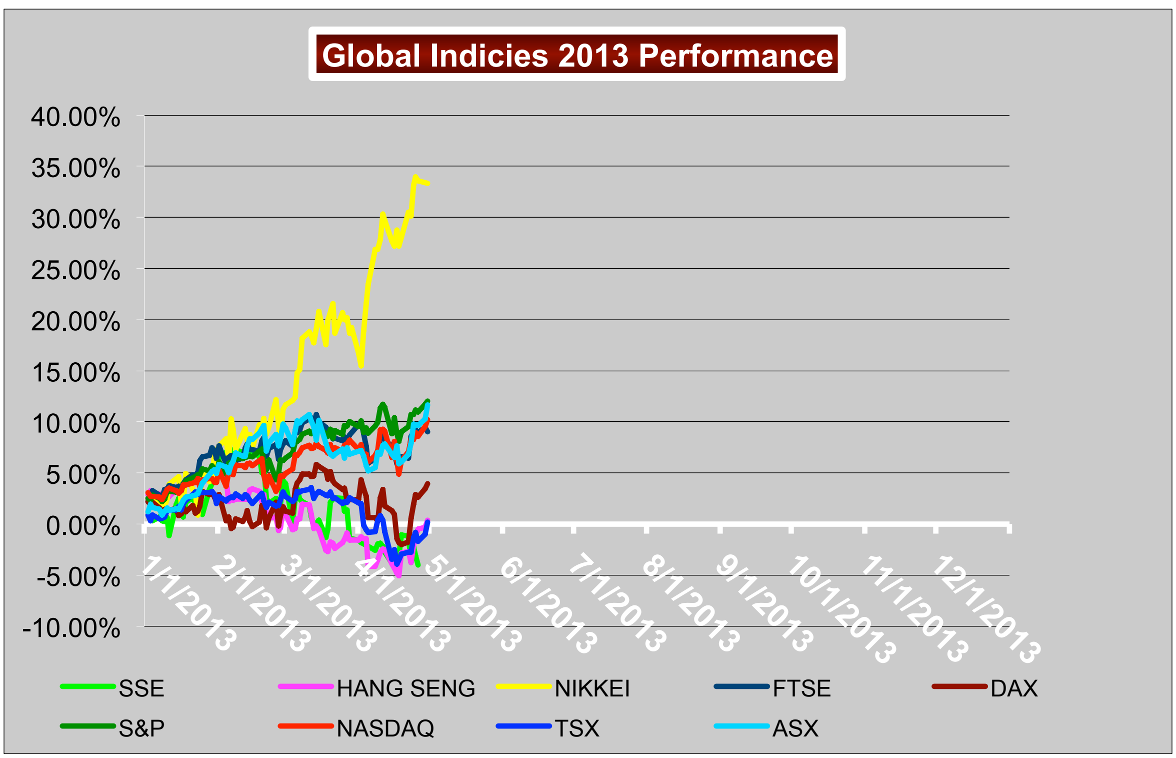
GDB May 2013 Newsletter

Monthly Market Summary:

2013 April Market Activity		
SSE COMPOSITE	*2,177.91*	-58.71 (-2.62%)
HANG SENG	*22,737.01*	+437.38 (+1.96%)
NIKKEI 225	*13,860.86*	+1,462.95 (+11.80%)
FTSE 100	*6,430.10*	+18.40 (+0.29%)
DAX	*7,913.71*	+118.40 (+1.52%)
DOW	*14,839.80*	+261.26 (+1.79%)
S&P 500	*1,597.57*	+28.38 (+1.81%)
NASDAQ COMPOSITE	*3,328.79*	+61.27 (+1.88%)
ASX 200	*5,191.20*	+224.70 (+4.52%)
TSX COMPOSITE	*12,456.50*	-293.40 (-2.30%)
TSX VENTURE	*965.83*	-133.17 (-12.12%)



Investment Themes:

At the time of writing the May's Newsletter, the Japanese Yen finally breached the 100 mark against the US greenback. And many currency experts are calling for it to slide further to the 105 to 110 level in the next couple of months as hedge funds and speculators rush back to put on short positions where as they had previously exited. News that Japanese pension funds and institutional investors have become net purchasers of foreign bonds also contributed to the latest bout of assault on the Japanese currency.

Large concentration of hedge funds and speculator participation increase volatility. As the Yen trade again turns crowded, we advise our clients to take a pause, reap some profit, while seek out other opportunities to play the massive Japanese monetary easing theme. We may again recommend the Yen trade at some point in the future, but at this time, we feel it is prudent to step to the side lines and monitor the situation as the Yen breaches the psychological 100 mark.

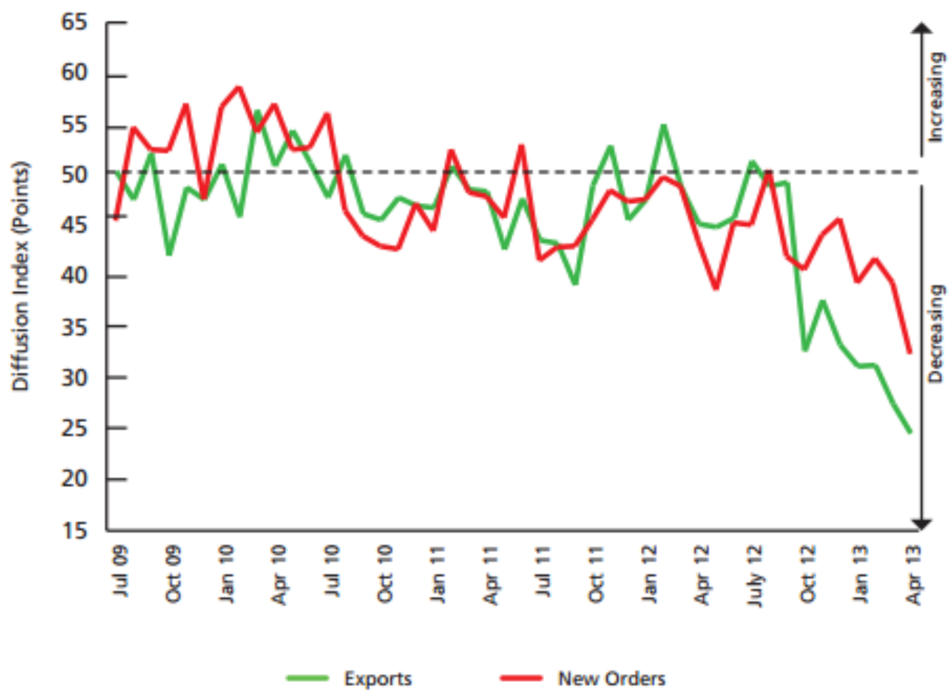
While many nations have yet been overly vocal about Japan's massive monetary maneuver, there seems to be concerns over the impact the currency devaluation has brought to their own domestic currencies. Export countries are feeling the squeeze from the cheaper Japanese competition, while high-yielding economies such as Southeast Asia are flooded with hot money inflows. Many central banks have indeed taken action to counter the effects from the strengthening exchange rates. Reserve Bank of Australia (RBA) and Bank of Korea both surprised the market and carried out separate interest rate cuts in the first week of May. New Zealand's central bank, meanwhile, confessed for only the second time since 1985 it had intervened in the currency market. As global central banks around the world starts to manage their currencies, we believes countries that are more export reliant, with a lot of room for monetary accommodation, and a low inflationary environment to will be the aggressive. Australia comes at the top of the list.

We have come up with a short list of reasons why we believe the Australian dollar (AUD) will weaken as a result of monetary actions by RBA:

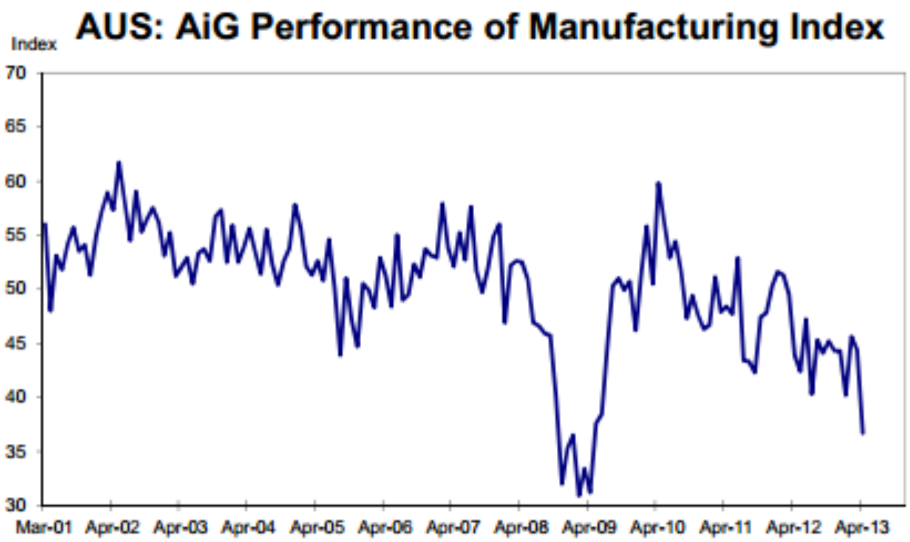
1. RBA in their last meeting have indicated the historically high AUD over the last 18 months is not supported by fundamentals and creates a drag to the economy

2. China's tapered growth rate going forward will moderate demand for commodities from Australia

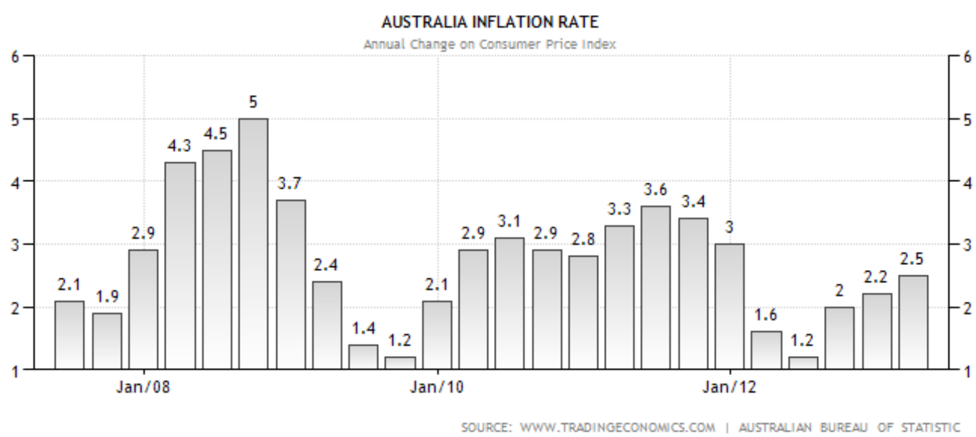
3. Exports are weak, not just in commodities. The manufacturing export sub-index experienced nine months of consecutive declines and is at its lowest level since beginning of data collection in 2004;



And manufacturing activities are at its lowest level since 2009

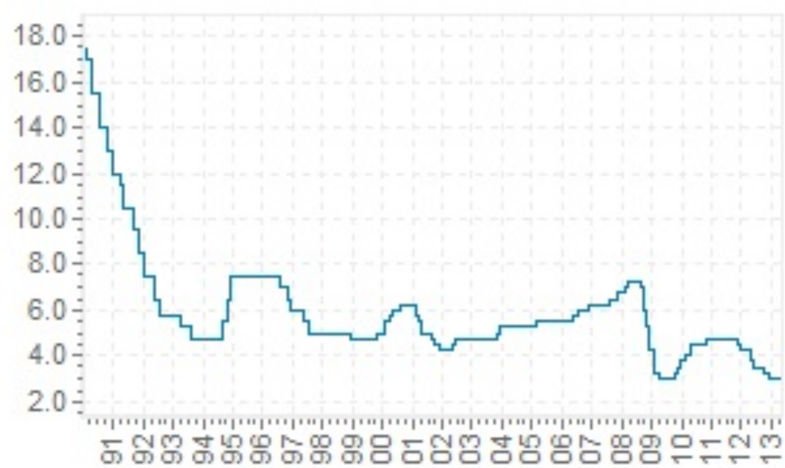


4. Inflation remains within target range of 2%-3%. RBA's board noted in its latest meeting that the stable inflation outlook affords scope for further easing if necessary



5. Though interest rate is at historical low of 2.75%, compared to the other G7 countries, RBA still have a lot of dry powder to cut rates. The aggressive accommodative policy stance from other major economies will force RBA to reduce its hawkish stance and cut rates further to stimulate its economy

	Interest Rate	Inflation
Australia	2.75%	2.50%
US	0.25%	1.47%
Europe	0.50%	1.73%
UK	0.50%	2.78%
Japan	0.10%	-0.90%
Canada	1.00%	0.99%



Subpar economic growth, contraction in manufacturing, and reduction in exports contradict the strength in AUD. Furthermore, the devaluation of currency the other central banks around the world puts pressure on RBA to take a dovish approach to lower its rates and cap the appreciation of the AUD. For these reasons, we see the opportunity of shorting the AUD.

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.