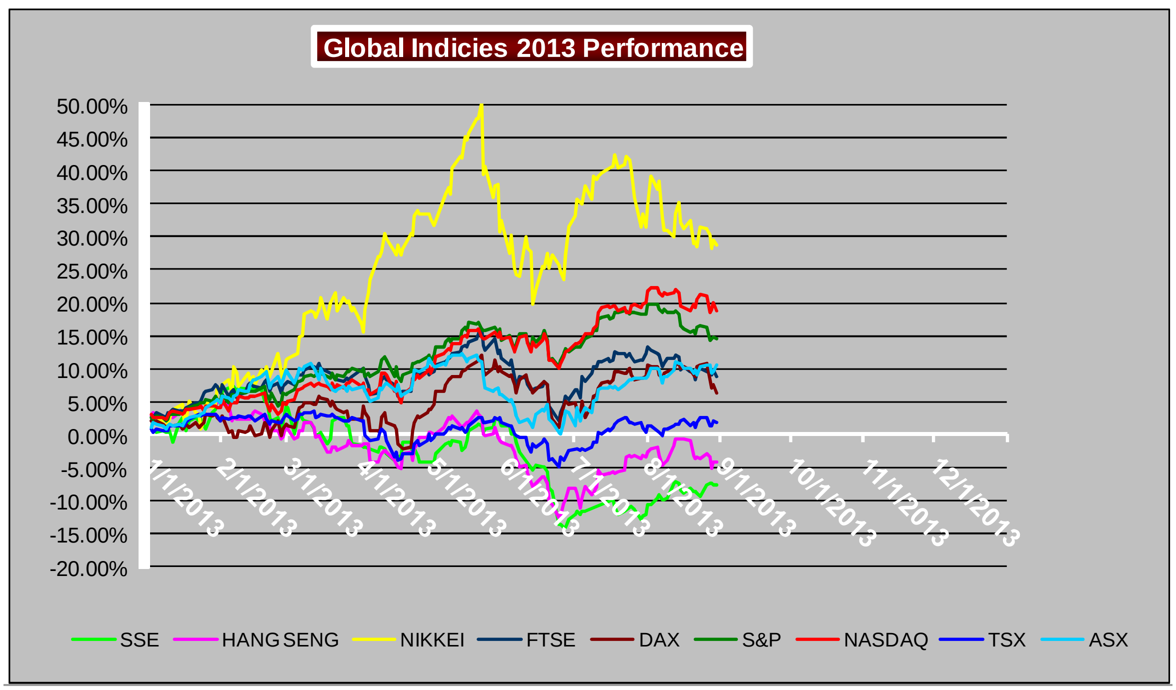
GDB September 2013 Newsletter

Monthly Market Summary:

2013 August Market Activity		
SSE COMPOSITE	***2,098.38***	+104.58 (+5.25%)
HANG SENG	***21,731.37***	-152.29 (-0.70%)
NIKKEI 225	***13,388.36***	-279.46 (-2.04%)
FTSE 100	***6,412.90***	-208.20 (-3.14%)
DAX	***8,103.15***	-172.82 (-2.09%)
DOW	***14.810.31***	-689.23 (-4.45%)
S&P 500	***1,632.97***	-52.76 (-3.13%)
NASDAQ COMPOSITE	***3,589.87***	-36.50 (-1.01%)
ASX 200	***5,135.00***	+83.00 (+1.64%)
TSX COMPOSITE	***12,653.90***	+167.30 (+1.34%)
TSX VENTURE	***939.31***	+21.97 (+2.39%)



Investment Themes:

September has historically been the worst months for stocks. On average, the three major US indices have registered declines in the month of September:

Dow Jones Industrial Average: -1.41%
NASDAQ: -0.85%
S&P 500: -0.62%

Aside from the statistical facts, there are also major headwinds brewing in the horizon that could derail the current uptrend in global equities:

1. War in Syria, Middle East Instability

The reaction to Syria's use of chemical weapon on August 21 has brought strong divide in the international community. While US president Barack Obama is rallying support for a limited military strike against Syria, the lack of support both domestically and internationally has restrained him from going alone in ordering an immediate strike. Russia and China are also against any sort of military involvement in Syria and will make any resolution for an UN led military action highly improbable.

The uncertainty of war contributes to market volatility. The Congress is scheduled to vote on military action against Syria in the coming weeks. So far, aside from a rise in oil prices, the equity markets have largely shrugged off any downside risks, or at least investors are not overly concerned with a prolonged war such as the ones in Afghanistan or Iraq. Although we are not expecting any major military conflicts due to the lack of commitment in the US and from its international allies, any radical retaliation from Syria, or its neighboring supporter Iran, could roil the markets with unpleasant surprises.

2. US Debt Limit Debate

Déjà Vu!! Once again, the debate to raise US debt ceiling which currently stands at 16.7 trillion will be on the table when Congress returns from holidays in the second week of September. On July 23, House Speaker John Boehner has again reiterated Congress' refusal for a clean debt limit increase without any real spending cuts. Without a debt limit increase, the US Treasury will run out of money in mid-October.

The debt limit talk in 2011 resulted in the downgrade of US credit rating by S&P which led to great turbulence in markets around the world, and caused volatility not seen since the 2008 financial crisis. A similar battle between the Congress and the Senate on the fiscal cliff debate also introduced volatility to the markets at the end of 2012. If the current round of debate around raising the debt limit is anything similar to the preceding events, then we can expect turmoil in the markets in the months to come.

3. Flight from Emerging Markets

The Emerging Markets in South-east Asia and Brazil have been seeing an exodus of capital from their stock markets and currency markets due to the recent surge in US interest rates caused by the anticipation of Fed tapering. Central banks of India, Indonesia, and Brazil have all intervened to support their currencies, and for the time being, the sell-off in stock and currencies in these regions have rebounded from their lows seen in August.

However, it is premature to draw conclusion whether the central banks' interventions will be effective. The latest export data from China is showing increased exports but slower imports for August. Many of these countries export to China while compete against China for their exports to the developed economies. The latest round of trade data from China is not encouraging for the emerging markets, especially the ones in Asia.

Any of the major risk events may also cause flight to safety that will trigger further capital outflows from the emerging markets. Although, economists are optimistic the situation will not turn into a full on 1997 style crisis, but further carnage from the emerging markets will certainly drive up volatility.

4. Fed Tapering Decision

September 18 seems to be the date many are speculating the US Fed will announce its decision on QE3 tapering. According to a Bloomberg survey among 34 economists, the consensus forecast is for the Fed to reduce Treasury purchases to $35 billion from $45 billion while maintaining mortgage-bond buying at $40 billion. The US 10-year yield has breached 3% based on the anticipation of tapering.

The latest job report released on September 6 showed a slower than expected job growth and a decline in participation rate. The less than anticipated job creation muddles the market's expectation again on whether the Fed will begin its tapering for certain. Nevertheless, to taper or not to taper, we expect this to be a major market driving event on September 18.

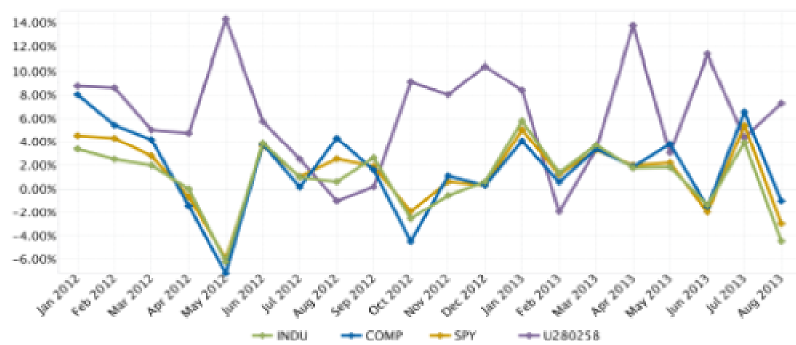
Considering all the above events that can shake up a rather calm market so far into September, we are advocating our clients to be cautious on initiating any new long positions at the moment and would advise purchasing volatility insurance to protect any downside risks to protect profits.

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. Following are the benchmark comparisons of GDB Fund performance against the major US Indices.

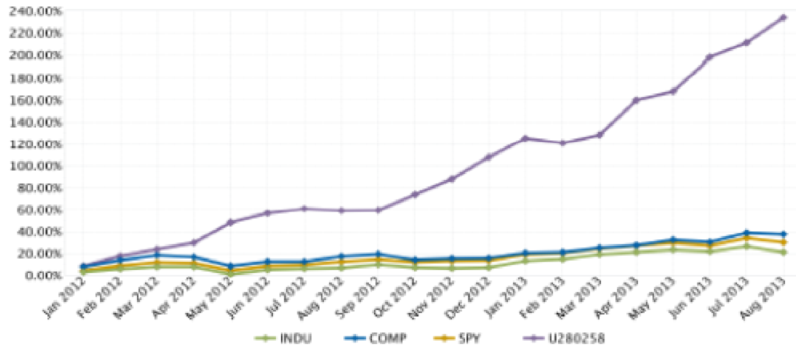
Time Period **Benchmark Comparison**



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%
Average	1.01%	1.68%	1.38%	6.31%

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%
Jan 2012 to Aug 2013	21.22%	37.80%	30.40%	234.01%