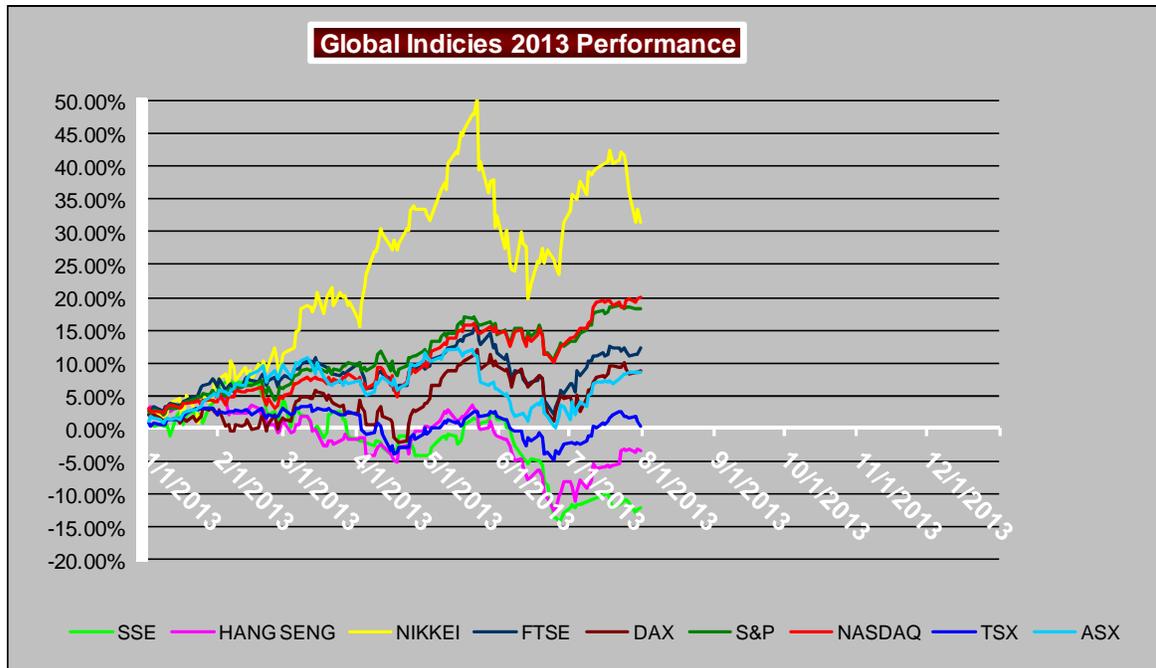


## GDB August 2013 Newsletter

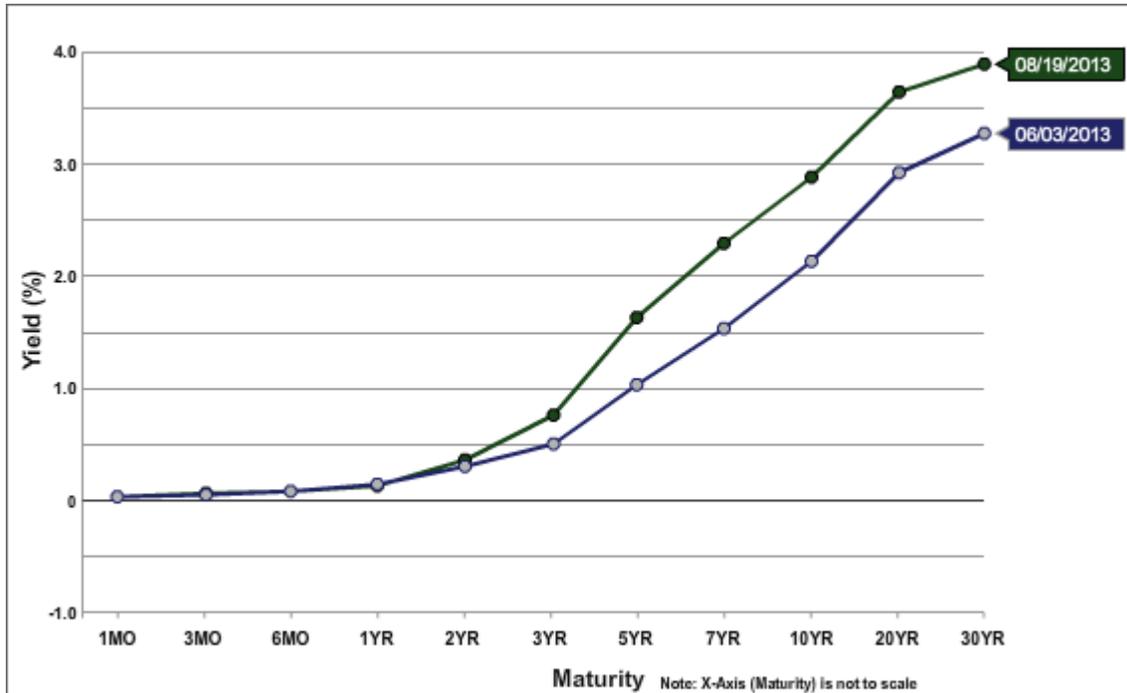
### Monthly Market Summary:

| 2013 July Market Activity |           |                  |
|---------------------------|-----------|------------------|
| SSE COMPOSITE             | 1,993.80  | 14.59 (0.74%)    |
| HANG SENG                 | 21,883.66 | 1,080.37 (5.19%) |
| NIKKEI 225                | 13,668.32 | -9.00 (-0.07%)   |
| FTSE 100                  | 6,621.10  | 405.60 (6.53%)   |
| DAX                       | 8,275.97  | 316.75 (3.98%)   |
| DOW                       | 15,499.54 | 589.94 (3.96%)   |
| S&P 500                   | 1,685.73  | 79.45 (4.95%)    |
| NASDAQ COMPOSITE          | 3,626.37  | 223.12 (6.56%)   |
| ASX 200                   | 5,052.00  | 249.40 (5.19%)   |
| TSX COMPOSITE             | 12,486.60 | 357.50 (2.95%)   |
| TSX VENTURE               | 917.34    | 35.94 (4.08%)    |

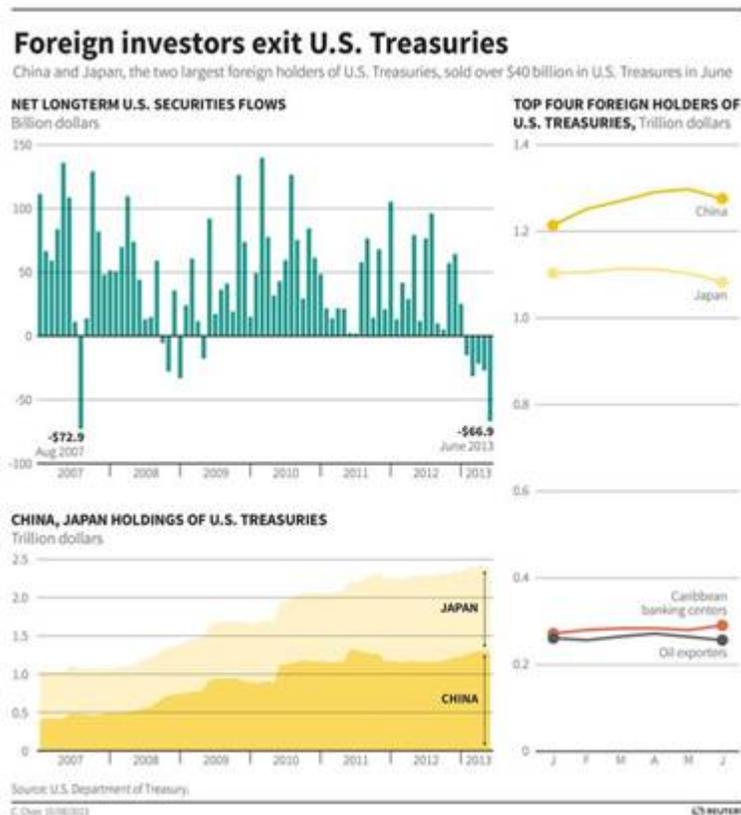


Investment Themes:

The US bond yields have been spiking since the Fed announcement of plans to taper their \$85 billion a month bond purchasing program in their June FOMC meeting. At the time of writing the August Newsletter, the 10-year US treasury yield has reached 2.88% compared to 2.13% at the beginning of June.



In anticipation for a slower pace of asset purchases by the Fed, many US treasury holders are shedding their holdings of US treasuries to front run the Fed. Below is a chart showing the top four foreign investors of US treasuries reducing US exposure:



Rising interest rates has been the main culprit in global asset re-pricing and is linked to the recent decline in US equities and bonds, emerging market assets, and a declining greenback. As interest rates rise, the demand for borrowing in US funds to fund investments decreases, causing leveraged investments in risky assets to decline.

For the short term, we are seeing fund flows from US to European bonds. Although recent string of European economic data have been showing a breath of life from recession, we don't believe the ECB is ready to take the gas pedal off from their QE program any time soon and may even reduce benchmark rate further to support growth. Consequently, investors are selling US treasury ahead from the looming Fed tapering to purchase European sovereign bonds, especially Italian and Spanish bonds. With the US to EU fund flow, the Euro has gained healthily against the US greenback.



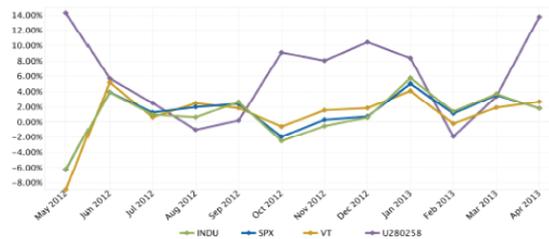
In our opinion, the fast rising interest rates has already created the intended effect of taking away some stimulus the Fed wanted. In their September meeting, we don't see a large decrease in the pace of asset purchasing even if the Fed does go ahead with plan. A less than expected tapering may cause a short term reversal of the decline in US bond prices and create some buying opportunity for US Treasury and equities. But in the meanwhile, due to the thin summer trading volume, we expect more volatility in global asset prices. Investors may want to consider purchasing some protection through short term volatility products such as the VXX, VIXY, and UVXY.

Investment Opportunities:

**1. Sino-GDB Fund**

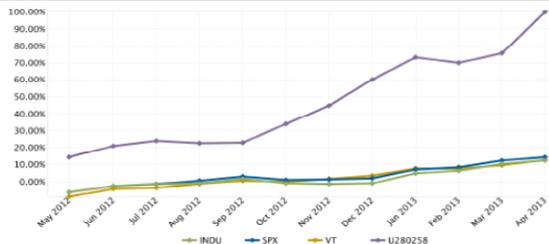
Fund managed by GDB Capital. Event-driven investments using hedging strategies and combinations of long/short positions in equities, futures, and commodities and their derivatives. Fund targets gross pre-tax IRR of 20% per annum, and returned 107% in 2012. Minimum investment US\$100,000. GDB will insure 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         | SPX          | VT           | UZ80258      |
|----------------|--------------|--------------|--------------|--------------|
| May 2012       | -6.21%       | -6.27%       | -8.93%       | 14.32%       |
| Jun 2012       | 3.93%        | 3.96%        | 5.23%        | 5.73%        |
| Jul 2012       | 1.00%        | 1.26%        | 0.63%        | 2.53%        |
| Aug 2012       | 0.63%        | 1.98%        | 2.48%        | -1.03%       |
| Sep 2012       | 2.65%        | 2.42%        | 1.87%        | 0.18%        |
| Oct 2012       | -2.54%       | -1.98%       | -0.60%       | 9.12%        |
| Nov 2012       | -0.54%       | 0.28%        | 1.55%        | 8.03%        |
| Dec 2012       | 0.60%        | 0.71%        | 1.86%        | 10.43%       |
| Jan 2013       | 5.77%        | 5.04%        | 4.11%        | 8.38%        |
| Feb 2013       | 1.40%        | 1.11%        | -0.19%       | -1.94%       |
| Mar 2013       | 3.73%        | 3.60%        | 1.91%        | 3.37%        |
| Apr 2013       | 1.79%        | 1.81%        | 2.68%        | 13.77%       |
| <b>Average</b> | <b>1.02%</b> | <b>1.16%</b> | <b>1.05%</b> | <b>6.07%</b> |

Cumulative **Benchmark Comparison**



| Date                        | INDU          | SPX           | VT            | UZ80258       |
|-----------------------------|---------------|---------------|---------------|---------------|
| May 2012                    | -6.21%        | -6.27%        | -8.93%        | 14.32%        |
| Jun 2012                    | -2.52%        | -2.56%        | -4.17%        | 20.86%        |
| Jul 2012                    | -1.55%        | -1.33%        | -3.56%        | 23.92%        |
| Aug 2012                    | 0.93%         | 0.62%         | -1.17%        | 22.64%        |
| Sep 2012                    | 1.69%         | 3.06%         | 0.67%         | 22.86%        |
| Oct 2012                    | 0.89%         | 1.02%         | 0.06%         | 34.07%        |
| Nov 2012                    | -1.42%        | 1.31%         | 1.61%         | 44.84%        |
| Dec 2012                    | 0.83%         | 2.02%         | 3.50%         | 59.94%        |
| Jan 2013                    | 4.90%         | 7.17%         | 7.76%         | 73.35%        |
| Feb 2013                    | 6.36%         | 8.35%         | 7.55%         | 69.98%        |
| Mar 2013                    | 10.33%        | 12.25%        | 9.60%         | 75.71%        |
| Apr 2013                    | 12.31%        | 14.28%        | 12.54%        | 99.90%        |
| <b>May 2012 to Apr 2013</b> | <b>12.31%</b> | <b>14.28%</b> | <b>12.54%</b> | <b>99.90%</b> |