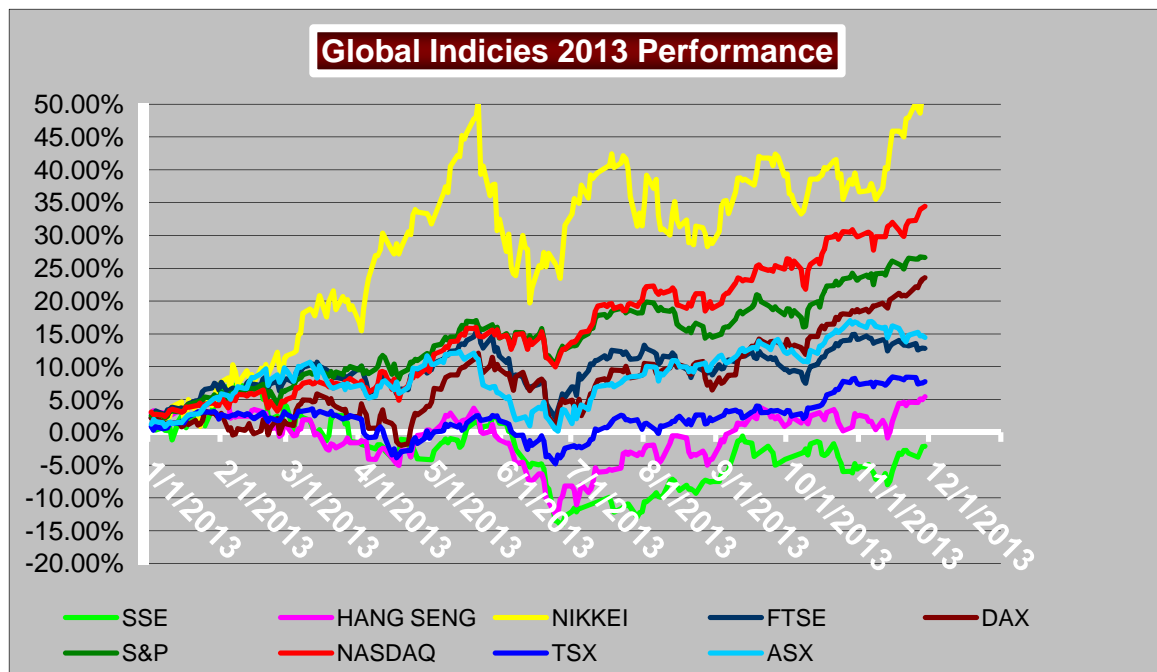


GDB December 2013 Newsletter



Monthly Market Summary:





2013 November Market Activity		
SSE COMPOSITE	2,220.50	+78.89 (+3.68%)
HANG SENG	23,881.29	+674.92 (+2.91%)
NIKKEI 225	15,661.87	+1,333.93 (+9.31%)
FTSE 100	6,650.60	-80.80 (-1.20%)
DAX	9,405.30	+371.38 (+4.11%)
DOW	16,086.41	+540.66 (+3.48%)
S&P 500	1,805.81	+49.27 (+2.80%)
NASDAQ COMPOSITE	4,059.89	+140.18 (+3.58%)
ASX 200	5,320.10	-105.40 (-1.94%)
TSX COMPOSITE	13,395.40	+34.10 (+0.26%)
TSX VENTURE	934.89	-23.97 (-2.50%)






Investment Themes:

As 2013 comes to a close, we want to dedicate GDB Capital's last Newsletter of the year as a self-assessment of the predictions we have made throughout the year. Here is our 2013 annual report card:

	Call	Comment	Score
January	<p>Sentiment shifts to risky assets. Equities will outperform sovereign bonds as the year unfolds.</p> <p>Commodity prices to rise.</p>	<p>Equities markets indeed achieved best performer status in 2013 among asset classes. Global equities are up 15%, S&P returned +25%, and NASDAQ +38% in 2013.</p> <p>Crude oil up more than 6%, Natural gas up almost 9%.</p>	
February	<p>Rise in Nikkei driven by Yen depreciation orchestrated by BOJ and is not sustainable. Cheaper Yen will result in higher input costs and erode margin and profitability for Japanese corporations. Short Nikkei with a short Yen hedging position.</p>	<p>Input prices indeed rose for many Japanese companies.</p> <p>Nikkei rose 45% from 11,191.34 on Feb 1 to 16,178.94 on Dec 27. Yen lost 12% from 0.0108 USD on Feb 1 to 0.0095 on Dec 27.</p> <p>Net loss on the combined position would have been -33%.</p>	
March	<p>European money flow into US assets. Short EUR and GBP.</p>	<p>Although US equities out performed European equities, but the call on further deterioration of EUR</p>	

		and GBP did not materialize. From Mar 1 to Dec 27, EUR and GBP rose 5.4% and 10% respectively.	
April	BOJ stimulus will further support rise in equities. Retracting our Feb call on shorting Japanese equities.	Global equities have since rose strongly until year end. Closing the short position on Nikkei was correct. Nikkei continue to rise +30% from beginning of April.	
May	Weakness in AUD as result of RBA monetary intervention and headwind in Australian economy. Short AUD/USD.	AUD weakened from 1.0292 USD in the beginning of May to 0.89 USD by the Dec 27. Position gain: +15%.	
June	Demand deterioration from various factors will put upward yield pressure on Japanese sovereign bonds. But the BOJ will artificially keep the interest rates low through market intervention to sustain Japan's ballooning debt maintenance costs. Japanese 10 year yield will not exceed much over 1.000% from the spike in May with a floor at 0.559%.	Yield on 10 year JGB since spiking in May has declined to the mid 0.600% level in the months following until year end.	

July	Natural gas price will increase due to increased demand and export to Mexico. Hot weather in the US may be the catalyst for upward price movement.	NG price rose from \$3.65/MMBtu in Jul Newsletter to \$4.45/MMBtu at the end of Dec for a gain of 21.9%.	
August	Speculation on Sep tapering caused investors to front run the Fed by selling US Treasuries causing interest rates to rise. Rising interest rates had already created the intended effect of Fed tapering; as a result, we did not believe Sep tapering was going to materialize. Forecasted a reversal in rising US yields and also increased short-term volatility.	Fed decided to hold off on tapering during their Sep 17-18 meeting. The US 10 year yield peaked at 2.99% on Sep 5 th and has since declined. Short term volatility, VXX, spiked in the beginning of Sep and then came down as markets welcomed the no taper decision.	
September	Syria situation, US debt limit debate, flight from Emerging markets, potential Fed tapering will cause turbulences in equities markets. Advised clients to refrain from initiating any new long positions in equities and purchase volatility insurance for the short term.	The Syria situation and Emerging markets flight did not cause major gyrations for the markets. Fed's no taper decision further boosted equities. A rise in volatility did occur briefly during the time of debt limit debacle with the VIX spiking to just over 20.	
October	US debt crisis acted as a litmus paper for the strength of the US	An 11 th hour deal was reached on October 16 to avert a debt	

	stock markets. Believe the manufactured crisis will eventually be resolved and equities will continue to rally in strides thereafter.	crisis. US equities have rallied since with S&P up more than 8% and NASDAQ up more than 9% from mid Oct to end of Dec.	
November	Not many risk off events on the horizon. Fed's ultimate decision to taper will be the trigger to end the continuous uptrend in equities.	US equities have been rising steadily reaching record highs daily until the second week of Dec. Noise of Fed tapering on their Dec 18 th meeting has rattled the markets a bit.	

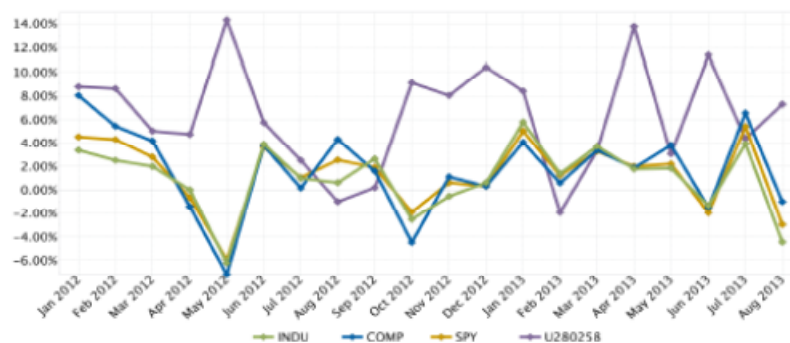
Overall, aside from the call on shorting Nikkei in February and the calls on shorting EUR and GDB in March, we have provided good guidance for our clients in 2013. Our own sample portfolio is up 67% in 2013. We look forward to continue serving our valued clients in 2014 and to offer valuable market insights.

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.

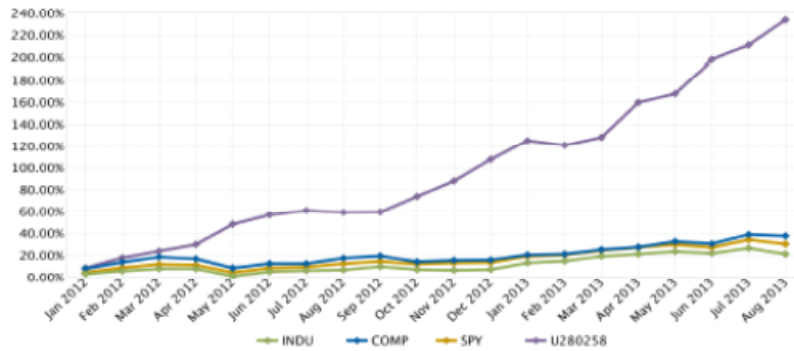
Time Period Benchmark Comparison



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%