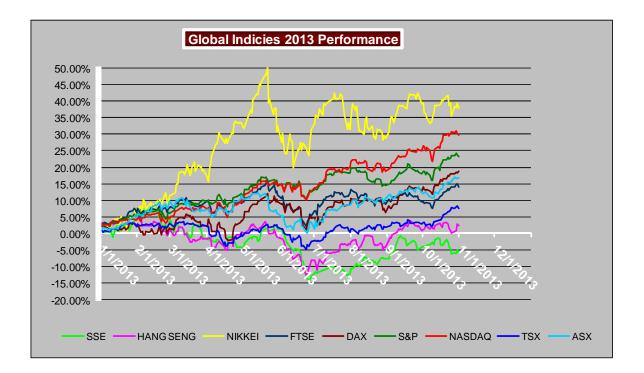
GDB November 2013 Newsletter

Monthly Market Summary:

2013 October Market Activity				
SSE COMPOSITE	2,141.61	-33.06 (-1.52%)		
HANG SENG	23,206.37	+346.51 (+1.52%)		
NIKKEI 225	14,327.94	-127.86 (-0.88%)		
FTSE 100	6,731.40	+269.20 (+4.17%)		
DAX	9,033.92	+439.52 (+5.11%)		
DOW	15,545.75	+416.05 (+2.75%)		
S&P 500	1,756.54	+74.99 (+4.46%)		
NASDAQ COMPOSITE	3,919.71	+148.23 (+3.93%)		
ASX 200	5,425.50	+206.60 (+3.96%)		
TSX COMPOSITE	13,361.30	+574.10 (+4.49%)		
TSX VENTURE	958.86	+17.71 (+1.88%)		



Investment Themes:

In our last month's Newsletter we have mentioned that the Fed Tapering will be a trigger for asset price adjustment. Bernanke's hint of tapering in June has led to indiscriminant selling across asset classes and across geographic regions. QE has shown to boost equity market returns as seen in previous rounds. However, post QE, the market usually experiences somewhat of a correction.



Source: Bloomberg, as of 31 Aug. 2012

It is believed that Fed Tapering will lead to higher interest rates or the mere expectation of this will cause treasury yields to jump. This is evident through the rise in interest rates since Bernanke hinted the Fed's intention to winding up of asset repurchases in the summer of this year.



Tapering has yet to occur. The equity markets continue to churn higher this month after the conclusion of the fiscal fiasco in Washington. There are not many risk-off events on the horizon as we approach the last stretch of 2013. As a result, both the Dow and S&P are etching record highs day after day. So far this year, the S&P has rallied 26%, on pace to achieve the best annual gain in a decade. As the benchmark indices trade higher so are their valuations, making stocks more expensive.

DOW INDEXES					
Thursday, November	14, 2013				
		P/E RATIO		DIV YIELD	
	11/14/2013 [†]	Year ago [†]	Estimate [^]	11/14/2013 [†]	Year ago [†]
Dow Industrial	17.7	8 13.70	14.70	2.15	2.82
Dow Transportation	21.4	7 15.56	18.25	1.26	4.37
Dow Utility	25.1	9 20.40	16.17	3.12	4.51
P/E data based on as-re Sources: Birinyi Associ OTHER INDEXES		data based on opera	-		
P/E data based on as-re	eported earnings; estimate iates; WSJ Market Data Gr	data based on opera	-	DIV YIE	LD
P/E data based on as-re Sources: Birinyi Associ OTHER INDEXES	eported earnings; estimate iates; WSJ Market Data Gr	data based on opera	-	DIV YIE 11/8/2013 [†]	LD Year ago [†]
P/E data based on as-re Sources: Birinyi Associ OTHER INDEXES	eported earnings; estimate iates; WSJ Market Data Gr 2013	data based on operation	ting earnings.		
P/E data based on as-re Sources: Birinyi Associ OTHER INDEXES Friday, November 08,	eported earnings; estimate iates; WSJ Market Data Gr 2013 11/8/2013 [†]	e data based on opera oup <u>P/E RATIO</u> Year ago [†]	ting earnings.	11/8/2013 [†]	Year ago [†]
P/E data based on as-re Sources: Birinyi Associ OTHER INDEXES Friday, November 08, Russell 2000	2013 11/8/2013 [†] 87.40	P/E RATIO Year ago [†] 28.41	Estimate [*] 24.89	11/8/2013 [†] 1.57	Year ago[†] 1.72

On a P/E basis, while the forward P/E for S&P is still in line with the long-term historical average of 15.5x, the trailing twelve months P/E multiples have expanded 29.8% for the Dow, 43.6% for Nasdaq, and 16.3% for S&P 500. Similarly, the dividend yields have dropped against a rising US Treasury yield curve.

	Yield Comparison				Yield Comparison		
	S&P Div	Nasdaq Div	Dow Div	US 10 Yr	US 30 Yr		
A year ago	2.17%	1.32%	2.82%	1.59%	2.73%		
Today	2.00%	1.42%	2.15%	2.69%	3.79%		
Chg	-0.17%	0.10%	-0.67%	1.10%	1.06%		

The rising US benchmark Treasury yields have two implications for the stock market. First of all, higher interest rates imply higher discount rates for equity valuation. Simply put, unless the growth in numerator (e.g. earnings or dividends) in the NPV equation outpaces the increase in denominator (e.g. discount rates), the NPV of a stock will decrease. To use a NPV calculator and compare the result, go to

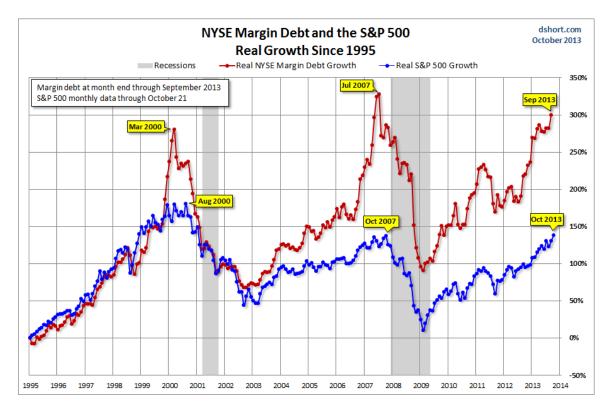
http://www.investopedia.com/calculator/netpresentvalue.aspx. Let's make a simple assumption that a stock pays a \$100 dividend for the next 10 at discount rate of 1.59%. We would input variables as follow:

Calculate Net Present Value				
The difference between the prese outflows.	ent value of cash inflows and the present value	alue of cash		
Discount Rate:	1.59	%		
Life of Project:	10	years		
Initial Cost:	0			
Cash flow 1:	100	per year		
Cash flow 2:	100	per year		
Cash flow 3:	100	per year		
Cash flow 4:	100	per year		
Cash flow 5:	100	per year		
Cash flow 6:	100	per year		
Cash flow 7:	100	per year		
Cash flow 8:	100	per year		
Cash flow 9:	100	per year		
Cash flow 10:	100	per year		
	Calculate Reset			

The NPV output comes to \$917.84 when we hit the "Calculate" button. Now leave all other inputs the same but change the discount rate from 1.59% to 2.69%. The NPV drops immediately to \$866.68. In this example, we have only assumed 10 periods of dividend payments, while in the real world, the stock price will reflect cash flows or dividend payments into perpetuity, so the impact from the discount rate increase will be much greater. Secondly, as the bond yields rise above dividend yields from equities, the safety of investing in fixed income becomes more appealing, inducing an outflow of capital from

equities to fixed income. The asset reallocation between the asset classes will have negative impact for equities.

To exacerbate the magnitude if a tapering correction does occur in the equity markets, the margin debt level at the NYSE is at its all time high, totaling \$401.2 billion. This indicates investors are highly levered in their portfolios. If stock prices move against these investors, margin calls will trigger forced selling and further contributes to the downward gyration of equity prices. As we can see in the chart below, since 1995, the margin debt has moved in tandem with the stock market and the margin debt always peaks before a market contraction.



"When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance."

> -Chuck Prince Ex-CEO of Citygroup

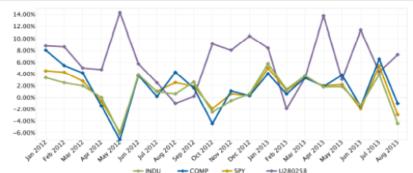
So far, we are still dancing. And we will continue to dance to the crescendo of the ultra easy liquidity. But we know the melody will end, and by our guess the end will start with the Fed Tapering.

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

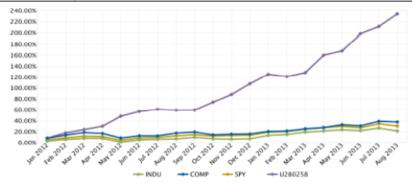


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Date	INDU	COMP	SPY	U280258
Jan 2012	3.40%	8.01%	4.55%	8.77%
Feb 2012	2.53%	5.44%	4.31%	8.60%
Mar 2012	2.01%	4.20%	2.81%	5.03%
Apr 2012	0.01%	-1.46%	-0.68%	4.74%
May 2012	-6.21%	-7.19%	-5.92%	14.32%
Jun 2012	3.93%	3.81%	3.64%	5.73%
Jul 2012	1.00%	0.15%	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	-0.5496	1.1196	0.62%	8.03%
Doc 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%

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Date	INDO	COMP	SPT	0280258
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%

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