31/12/2013
Net NAV/Share
A Class: S$ 152.39
M Class: S$ 102.87

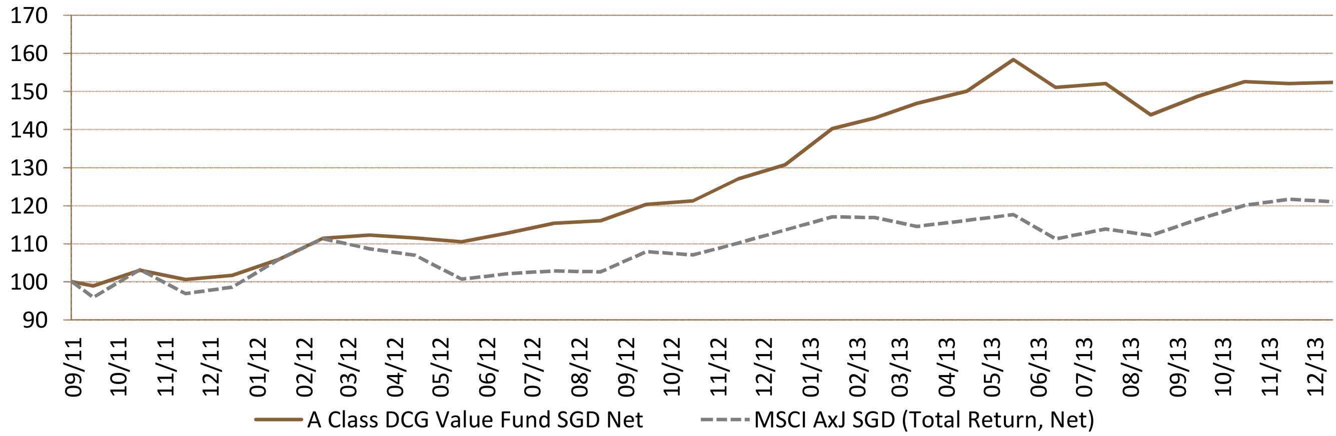
DCG Asia Value Fund

Fund Objective and Strategy

The investment objective of the Fund is to achieve long term capital growth through investments primarily in publicly listed and traded equities and equity-linked securities of companies from Asia ex-Japan countries. The Investment Manager employs a value investing approach in managing the Fund. Using a bottom-up approach, it will seek to identify from within the above mentioned investment universe, attractive long term investment opportunities that the Manager reasonably believes adequately satisfy stringent selection criteria in terms of quality and valuations.

Fund NAV and Performance (measured in SGD, net of all fees)

Fund NAV SGD Class (since inception)



2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
A Class	7.2%	2.0%	2.7%	2.2%	5.5%	-4.6%	0.6%	-5.4%	3.4%	2.6%	-0.3%	0.2%	16.5%
M Class										2.8%	-0.3%	0.3%	2.9%
MSCI AxJ	3.0%	-0.1%	-2.0%	1.4%	1.3%	-5.4%	2.3%	-1.5%	3.7%	3.2%	1.3%	-0.5%	6.5%

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
A Class	4.1%	5.3%	0.7%	-0.6%	-0.9%	2.0%	2.3%	0.6%	3.7%	0.8%	4.8%	2.9%	28.6%
MSCI AxJ	7.4%	5.2%	-2.4%	-1.5%	-5.9%	1.4%	0.7%	-0.2%	5.1%	-0.8%	2.9%	3.1%	15.3%

2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
A Class									-1.1%	4.2%	-2.4%	1.1%	1.7%
MSCI AxJ									-4.1%	7.7%	-6.1%	1.7%	-1.4%

Fund Details

Portfolio Concentration

No. of holdings*	69
Top 10 holdings	21.5%
Top 20 holdings	39.4%

**Holdings include one short duration bond*

Size (equities)

Small Cap (<US$1b)	42
Mid Cap (US$1b-$5b)	19
Large Cap (>US$5b)	7
Total	68

Top 5 Holdings **(excl. near cash items)**

SATS Ltd
DKSH Holdings
Hong Kong Land
Universal Robina
First Pacific

Fund Exposure

Country Exposure

HK/ China	37.6%
Singapore	22.3%
Malaysia	7.8%
Philippines	6.7%
Indonesia	6.3%
Sri Lanka	2.5%
Thailand	1.7%
Vietnam	2.3%
Korea	0.5%
Cash	12.4%
Total	100.0%

Sector Exposure

Financials	22.6%
Industrials	18.3%
Consumer Discretionary	17.1%
Consumer Staples	10.0%
Information Technology	7.7%
Energy	6.0%
Materials	3.9%
Telecommunication Services	2.0%
Cash	12.4%
Total	100.0%

Risk / Return (since inception, measured in SGD, net of all fees)

	Annualized Return	Annualized Std. Dev	Sharpe Ratio (RFR = 2%)	Sortino Ratio	Information Ratio	Peak to Trough
The Fund*	20.2%	9.9%	1.84x	3.81x	1.38x	-9.2%
MSCI AxJ	8.7%	12.3%	0.54x	0.83x	N/A	N/A

**Risk / Return figures above are applicable to A Class shares*

Valuation

	Trailing P/E	Trailing P/B	Indicative Dividend Yld	Median Market Cap (US$ mil)
The Fund*	11.8x	1.3x	3.1%	519
MSCI AxJ	12.2x	1.5x	2.5%	N/A

**DCG Asia Value Fund: valuation is calculated for the invested portion only*

Fund Information

Domicile: Cayman Islands

Fund inception date: 16/09/2011

Fiscal Year End: 30 June

Fund Manager: DCG Capital Pte Ltd

Fund Administrator: Portcullis Fund Administration (S) Pte Ltd

Custodian: Deustche Bank AG, Singapore Branch

Fund Auditor: Ernst & Young Solutions LLP

Tax Advisor: Ernst & Young Solutions LLP

Legal Counsel: Rajah & Tann LLP

Minimum Initial Investment: S$250,000

Minimum Subsequent Investment: S$100,000

Valuation Frequency: Once a month

Management Fee:

A Class Shares: 1.25% p.a.

M Class Shares*: Not applicable

Performance Fee:

A Class Shares: 12.5% of appreciation in NAV, subject to high water mark

M Class Shares*: Not applicable

**M Class Shares are only applicable to seggregated accounts managed by DCG Capital. Management and performance fees for M Class Shares are charged separately to avoid double-charging.*

Early Redemption Fee: (retained in the Fund)
3% in 1st year; 2% in 2nd year; 1% in 3rd year

Redemption Frequency: Once a quarter at quarter-end NAV, with 1 month notice

Subscription Frequency: Once a month at month-end, with 1 week notice

Contact Information

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Important Notice

Dear Investor,

Fund Performance

The Net Asset Value of the Fund's 'A' Class shares ended the year at S$152.39 for a gain of 2.5% for the quarter and 16.5% for the year. It underperformed the benchmark's 4.0% gain for the quarter but outperformed its 6.5% gain for the year. The Fund's 'M' Class shares were valued at $102.87, up 2.9% over three months.

The fourth quarter saw mixed performance among Asian stock markets with India, Taiwan and Malaysia registering strong gains but Thailand, Philippines and Indonesia recorded losses of between 5% and 10% (measured in SGD). Hong Kong gained 2.8% while the Shanghai Composite shed 1% and Singapore ended flat.

It had been a volatile year with the MSCI Asia ex Japan Index plunging 14% in the middle of the year after Fed Chairman Ben Bernanke first hinted at the possibility of tapering QE. Performance among markets for the year was widely divergent with Vietnam, Taiwan and Malaysia recording double digit gains (measured in local currency terms) while Thailand, beset by political unrest in the final months of the year, shed 6.7%. Shanghai also disappointed with a loss of almost 7%. Singapore was also flat for the year while Hong Kong recorded a modest gain of 2.9%.

Currency movements had a big effect on actual results when translated in SGD. India's 6% gain in local currency terms for the year translated into a 3% loss after taking into account the Rupee's 9.3% fall against the SGD. Similarly, Indonesia's 1% loss was magnified to a 19.2% loss in SGD terms after the Rupiah's almost 20% depreciation against the SGD.

Just days before Christmas the Fed surprised the markets when it announced a US$10 billion taper of asset purchases citing the improved economic situation especially in regard to the job figures. This time, both stock and bond markets showed little reaction. What was notable in the Fed announcement was its commitment to a "highly accommodative stance of monetary policy" and its forward guidance that it will maintain current (near zero) target range for Fed funds "well past the time that unemployment rate declines below 6.5%".

During the quarter we deployed more cash into the markets, adding 12 new positions to the portfolio, ending the quarter with invested level of 87.6% compared to 80.8% at the end of September. Hong Kong / China and Singapore remain our largest holdings accounting for about 60% of the portfolio. South East Asia markets (Malaysia, Philippines, Indonesia, Thailand and Vietnam) make up nearly 25%.

Company Updates

We would now like to highlight the results of some of the existing companies in our portfolio.

Universal Robina Corporation ("URC"), the Philippines-based food producer, reported a very encouraging set of results for the fourth quarter and full year 2013. Total sales grew 14% to Peso 81 billion while operating profit margins improved by 1.7 percentage point, resulting in a 34% growth in earnings before tax and interest to Peso 10.3 billion. The period saw strong growth for its branded food segment which accounts for 80% of the total earnings, and recovery in its sugar and farm business segments.

URC's domestic branded consumer food sales registered 24% year-on-year (y-o-y) sales growth for the 4th quarter, bringing up full year sales of Peso 42.2 billion. The impressive growth figure is attributed to the stellar performance of the beverage division which registered 66% growth y-o-y. URC's coffee sales grew an impressive 95% during the year, adding another 8% market share to make it the second largest player in the Philippines instant coffee market with a 25% market share. URC's Ready-to-drink tea, with the brand name "C2", registered 27% growth driven by the launch of a 230ml bottle product category during the year.

URC's international branded food sales grew 16% in the fourth quarter, posting a full year revenue growth of 12% in USD terms. Significant contribution came from Vietnam with beverage and salted snack sales posting 15% and 106% y-o-y sales growth for the full year. Confectionary sales in Thailand were flattish while sales in Indonesia posted a 30% sales growth for the full year.

To maintain its growth momentum for branded consumer food, URC plans to add capacity in Central Vietnam for both beverage and snack while deepening penetration into Thailand for biscuits and wafers products through new product launches. In Myanmar, URC plans to spend about US$ 30 million to build a factory for biscuits and chips in 2014 and 2015 while continuing to introduce URC's made-in-Thailand products into this market. The company is also spending US$ 25 million to build a new coffee factory in Vietnam with capacity of 500 tons of coffee and creamer per month.

Pax Global ("Pax"), designs and sells electronic fund transfer point-of-sales ("EFT-POS") terminals used in bank credit and debit cards for retailers. Headquartered in Hong Kong with a staff strength of over 600, half of whom are engineers, Pax hones its competitive edge through extensive research and development and owns nearly 100 software and hardware patents. By outsourcing its manufacturing process, it runs an asset light business model.

Pax ranks among the top four global EFT-POS suppliers (up from seventh a year ago) and is the largest in China, with market shares of 32% and 40% in China and Hong Kong respectively. Major customers include the four major Chinese commercial banks. Pax recently announced that it has been selected by China UnionPay Merchant Services, China's leading credit card company, to be its major supplier for its 2014 point-of-sales solutions. The company is also expanding rapidly into overseas emerging markets including Russia and Brazil, and has a presence in over 70 countries. Besides EFT-POS terminals, Pax also offers consumer activated devices (PIN pads that work with the EFT-POS terminals), contactless devices (similar to the debit / credit card or mobile phone-based touch-to-pay system in Singapore's supermarkets) and other product-related services. With its track record, stringent secure payment requirements and customer certifications (including passing JCB and UnionPay's) Pax is a formidable competitor. With the consolidation of several competitors (Verifone buying out Hypercom, Gemalto and Lipman; Ingenico acquiring Sagem) in the past few years, the top five companies, including Pax, command over 80% of the global market share, reducing the choices available to buyers and further reducing the bargaining power of customers and suppliers.

Current EFT-POS penetration rates in China are low especially in the lower tier cities where payments by bank cards currently contribute to less than 10% of overall retail sales. In comparison, developed economies such as Australia and the USA have EFT-POS penetration rates of over 90%. We expect the electronic payments sector to grow rapidly with increasing urbanization in China, and as Chinese consumers increasingly develop the habit of using bank cards and mobile phones to settle payments. In addition, Chinese banks have been encouraging domestic consumers to adopt the use of debit / credit cards and other non-cash forms of payment by aggressively promoting non-cash points of sales and actively increasing the number of installed ATMs in rural areas.

In the first half of 2013, Pax's revenue and profits grew 19% and 7% respectively to HK$ 631 million and HK$ 91 million. The decline in average selling prices arose from a change in product mix to higher volume, more basic EFT-POS terminals. To date, Pax has sold over four million EFT-POS terminals globally, of which approximately 600,000 were sold in the first half of 2013. For the second half of 2013, the company will drive growth by increasing its penetration in BRICS countries (Brazil, Russia, India, South Africa), as well as further strengthening its dominance in China by expanding its product range, improving its after-sales networks, and seeking partnership or acquisition opportunities.

Pan United Corporation ("Pan United"), Singapore's leading supplier of ready mixed concrete and cement, was included into the portfolio in September 2013. Pan United is a direct beneficiary of Singapore's never-ending construction projects and has a strong management team and well-integrated supply chain that helps keep costs low. The company also has an 85.5% stake in Changshu Xinghua Port, a strategically located deep water river port in the vibrant Yangtze Delta region of Jiangsu, China.

For the nine month period ended September 2013, although Pan United reported a 3% decline in net profit after tax, cashflows generated from operating activities increased 15%. We expect steady growth this year with additional profit contribution to come from the river port operations.

Far East Consortium's ("FEC") six months ended September 2013 Group revenue and recurring profit jumped 98% and 29% y-o-y to HK$ 1.8 billion and HK$ 384 million respectively, driven by sales of Dorsett Residences in Singapore and recognition of revenues from Phase 1 of the Upper West Side high-end residential project in Melbourne. Net profit attributable to shareholders however was flat at HK$ 613 million due to the absence of a one-off tax write-back of HK$192 million in the same period last year and higher financing cost resulting from the issue of medium-term notes of RMB 1 billion by the Group and RMB 850 million by Dorsett Hospitality.

The Group's property development in Australia is doing well with Phase 2 and 3 of the Upper West Side project in Melbourne's Central Business District fully presold (HK$ 2.5billion). It also bought 2.5 million square feet of adjacent sites to replenish its land bank here for future development until 2019.

FEC's Dorsett Residences in Bukit Bintang, Kuala Lampur was well received during the soft launch in December with 50% of units presold at an average price of RM1,750 per square foot. Total value of presold projects accumulated to over HK$ 4.7 billion as of 30 September 2013 and will be recognized over the 2014-2016 period. This implies a significant growth in revenue for FEC in the next two years.

During the period, the Group's hospitality arm, Dorsett Hospitality acquired two hotel sites in London and China for new development and signed 4 new hotel management contracts, bringing the number of rooms in the existing hotel portfolio up from 4,894 rooms in 2013 to 6,055 rooms in 2014. Dorsett will continue to add rooms in China, Hong Kong and the UK to reach 7,410 rooms in 2017.

Silverlake Axis ("Silverlake") is a leading provider of customized core banking software and business IT systems integrator in South-East Asia. Over the past three years, Silverlake had made several acquisitions to broaden its suite of business software solutions and services. Recent acquisitions include the April 2013 purchase of market leading Malaysia-based insurance processor Merimen Group, to position itself for growth in the under-penetrated insurance claims processing sector in South-East Asia. Another recent acquisition is the July 2013 purchase of Cyber Village Sdn Bhd, one of the pioneers in internet and mobile software systems that facilitate financial services and e-commerce for clients in various industries.

For the period ended September 2013, Silverlake reported strong revenue and net profit growth of 27% and 29% to reach RM 101 million and RM 51 million respectively. The increase in revenue was mostly due to increased contribution from new software projects arising from bumper contract wins in 2013, and from consolidation of Cyber Village's software projects. The recently acquired fast-growing insurance processing unit also made its maiden quarterly contribution to the Group's revenue. Although gross profit margins were 5 percentage points lower quarter on quarter due to the increase in lower margin software implementation contracts, net profit margins were higher due to reduced marketing expenses and increased contributions from associate companies.

Silverlake has already secured pipeline contracts valued at about RM 300 million for the next 12 months. The Group is confident of steady organic growth over the next few years, and will achieve this by winning each year two to three large software implementation contracts and two to three large software upgrading contracts, targeting financial and non-financial institutions in South-East Asia. An added advantage of winning software implementation contracts is that, upon completion, they lead to high margin maintenance and enhancement contracts for a number of years, further adding to the Group's substantial recurring income.

With strong cashflows generated from operations, the Group has RM 396 million cash in its Balance Sheet at the end of September 2013, and is on the lookout for further acquisitions that will strengthen its technical abilities or enhance the range and depth of existing service offerings.

Vietnam Dairy ("Vinamilk") reported nine month 2013 profit of VND 5,064 billion, a rise of 21% over the same period in 2012. Gross profit margins improved by 3.7 percentage points thanks to better product mix and lower input costs. For the 9M 2013, total export value rose 15% from a year ago to reach VND 3,354 billion or 14.7% of total revenue.

We expect Vinamilk to maintain its 15-20% growth rate in the next five years given the capex pipeline and the ramp up in utilization of the new plants in Vietnam, including the infant formula plant Dielac 2 and the expansion of existing lines for liquid milk and yogurt. The company will also invest US$ 1.93 million in its existing joint venture in the New Zealand to add more UHT milk production lines to serve the Vietnam market where it launched the "Twin Cows" made-in-New Zealand UHT milk brand in Q3 2013.

Overseas expansion will be a new growth driver for the company in the next few years. In December 2013, Vinamilk received the approval to set up Angkor Dairy Products, a joint venture company in which Vinamilk controls a 51% stake, to produce and distribute milk in Cambodia. The company will start constructing its first dairy plant in Phnom Penh in 2Q14. In December, the company also announced its first investment in the US market through a US$ 7 million purchase of 70% of Driftwood Dairy Holding Corporation to produce and distribute dairy products in California, USA.

Ezion, the liftboat services company, reported profits of S$ 120 million for the nine month period ended 30 September 2013, an increase of 106% over 2012. The company deployed additional units of liftboats and jack-up rigs and also benefitted from higher contributions from offshore logistic support vessel services in the three LNG projects in Australia.

It also announced the acquisition of a 45.15% interest in Ocean Sky International Limited, a separately listed company on the Singapore Stock Exchange. The acquisition will allow Ezion to restructure its marine base business and allow Ocean Sky to have a dedicated management team to capture new business opportunities in the marine infrastructure sector in Australia while allowing Ezion to focus on its existing liftboat business.

During the past quarter, we added 12 new positions of which we would like to highlight just two: New Ocean Energy and Hui Xian REIT.

New Ocean Energy Holdings ("New Ocean") is in the logistics business of selling and distributing Liquefied Petroleum Gas (LPG) mainly in Guangdong in Southern China. New Ocean's main customers are industrial users that use the LPG gas feedstock for chemical and industrial processes. Another big group of users of LPG are public buses and taxis in Guangzhou.

The company owns and operates a receiving oil & gas terminal in Zhuhai that allows the import of gas directly from the Middle East. By having its own facilities and supporting logistic infrastructure like trucks and 16 bottling refill centres, New Ocean becomes a low cost supplier, giving it a strong competitive advantage. Moreover, with the Chinese government focus on reducing pollution and greater reliance on clean energy, New Ocean could be one of the indirect beneficiaries if the government decides to widen usage of LPG over more traditional but more polluting energy sources.

LPG’s calorific value is 75% that of gasoline but its price is 55% of gasoline. It releases 50% less carbon dioxide than coal and 20% less than heating oil. China’s annual consumption of LPG is about 25 million metric tons of which 15% was imported. Growth of LPG consumption is constrained by refinery output which is growing at only 5% every year leaving logistic providers like New Ocean in a very good position with its own infrastructure and ability to import LPG into the Chinese market.

In 2013, New Ocean was granted a licence to start bottled LPG distribution in Hong Kong. This new market could add significantly to New Ocean’s bottom line.

The company’s business outlook is promising as it has signed up with Sinopec to run 17 LPG refilling stations and install another 22 more petrol stations with LPG refilling facilities.

In the coming years, New Ocean will also be entering the bunkering business in Hong Kong. Very few players have access to privately-owned storage and oil terminals like New Ocean does, and it is difficult for new players to obtain new licences to enter this business due to strict environmental controls requirements.

Hui Xian REIT (“Hui Xian”) is the first RMB denominated REIT listed on the Hong Kong exchange. Its flagship property is the Beijing Oriental Plaza located in a very prime location near the iconic Tiananmen Square.

Beijing Oriental Plaza comprises 1.4 million square feet of retail and 3.3 million square feet of office space in eight Grade A towers, making it one of the largest commercial complexes in Beijing. Hui Xian REIT also owns the 825 room Grand Hyatt Beijing hotel and the 590 room Sofitel hotel in Shenyang.

Retail makes up 49% of net property income, office contributes 38% and service apartments and hotels make up 13%. On an average work day, there are 80,000 workers in the 8 office towers making them a natural captive market for the retail mall below.

During the first half of 2013, passing rents in the retail sector increased 8.5% y-o-y with an occupancy rate of 99.5%. In the office sector, the passing rents increased 13% y-o-y to RMB 226 per square meter compared to the spot rents of RMB 269 per square meter, indicating a clear potential for upward rental revision when tenancies are up for renewal.

The Chinese Government's policy of restriction on lavish spending has affected Hui Xian's hotel business severely resulting in a 47% drop in net property income for the year. Fortunately, hotels make up only a small part of its portfolio of assets and total property income.

We like Hui Xian as it offers an attractive dividend yield of 6.3% in RMB terms and trades at 30% discount to book value. It is in a net cash position which means the dividend is not "financially engineered" with high gearing. Also, with minimal borrowings, Hui Xian is sheltered from any interest rate increases.

Investment Outlook

As we begin 2014, the investment outlook is looking reasonably constructive. The IMF has indicated it will soon raise its forecast for global GDP growth from 3.6%.

US economic growth momentum looks good with growth expected to be around 2.6%. The US economy is benefitting from an unexpected boom in its shale oil and gas industry which has helped it to reduce reliance on imported energy and strengthened its manufacturing sector. The housing market continues to recover and US households have deleveraged quite significantly. Meanwhile, US corporations are sitting on an estimated US$ 2 trillion of cash and enjoying near record profit margins.

In the Eurozone, growth remains sluggish and unlikely to exceed 1.5%. Conditions in some of the heavily indebted PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) have improved but fiscal positions remain weak and unemployment levels remain far too high.

In Asia, China should maintain above 7% growth. The Third Plenum has reinforced the leadership's commitment to "comprehensively deepening reform" and allowing market forces to be the "decisive" factor in resource allocation. Over the coming years, a number of key reforms are likely to be launched including interest rate liberalisation and currency convertibility, hukou reforms and strengthening of government finances by reducing government spending and instituting a more efficient tax system. The government is also trying to rein in the excessive credit growth and the unwieldy "shadow banks" to promote a more stable and balanced economy with less fixed asset investment and more consumption.

After a huge rally in US stocks (up 29%!) in 2013, a major correction is a distinct possibility. In terms of valuations though, equity markets are not in dangerously over-valued territories especially in relation to still historically very low interest rates. The following table sets out the Price-earnings ratios, Price to book ratios and the relevant parameters for the major markets.

Country	Index	Price/Earnings 2013(E)	Price/Earnings 2014(F)	Price/Book (current)	10yr bond yields
USA	S&P 500	17.3x	15.5x	2.7x	2.9%
Germany	Dax	14.3x	13.1x	1.8x	1.9%
UK	FTSE 100	13.5x	12.9x	1.9x	3.0%
Japan	Topix	15.5x	15.6x	1.3x	0.7%
Asia ex-Japan	MSCI AxJ	11.7x	10.9x	1.5x	-

(Source: Bloomberg, 8 Jan 2014)

Another major risk we will be monitoring is US interest rates. While we have already seen quite a sharp adjustment on the 10 year treasury yield rising from a low 1.62% in May 2013 to almost 3% now, it remains historically low and could rise significantly higher in tandem with rising inflation and inflation expectations. For now though, with high unemployment rates, low commodity prices there seems to be little risk of inflation. In fact, in many parts of the developed world (Japan, Europe) the struggle is with deflationary forces.

In Asia, geo-political tensions between China and Japan are rising and developments need to be closely monitored. A minor skirmish in the East Asian skies or seas could escalate into a dangerous military conflict situation.

The risk of a hard landing in China cannot be ruled out as the authorities continue to rein in property prices, rapid credit expansion and the shadow banking system.

Notwithstanding a relatively subdued outlook, we are quite excited about the Fund's prospects for the year as we are discovering a number of new exciting ideas which we are studying carefully for possible inclusion into the Fund.

Daniel Chan
Melvin Tan
Alexis Tran