Dear Investors:

The Fund was up 8.3 % for the quarter. The portfolio has a Price to Book ratio of 2.1x, a PE of 12x , a dividend yield of 4%, and an ROE of 17.2% . It is 63% invested. We exited 2 positions in the first quarter.

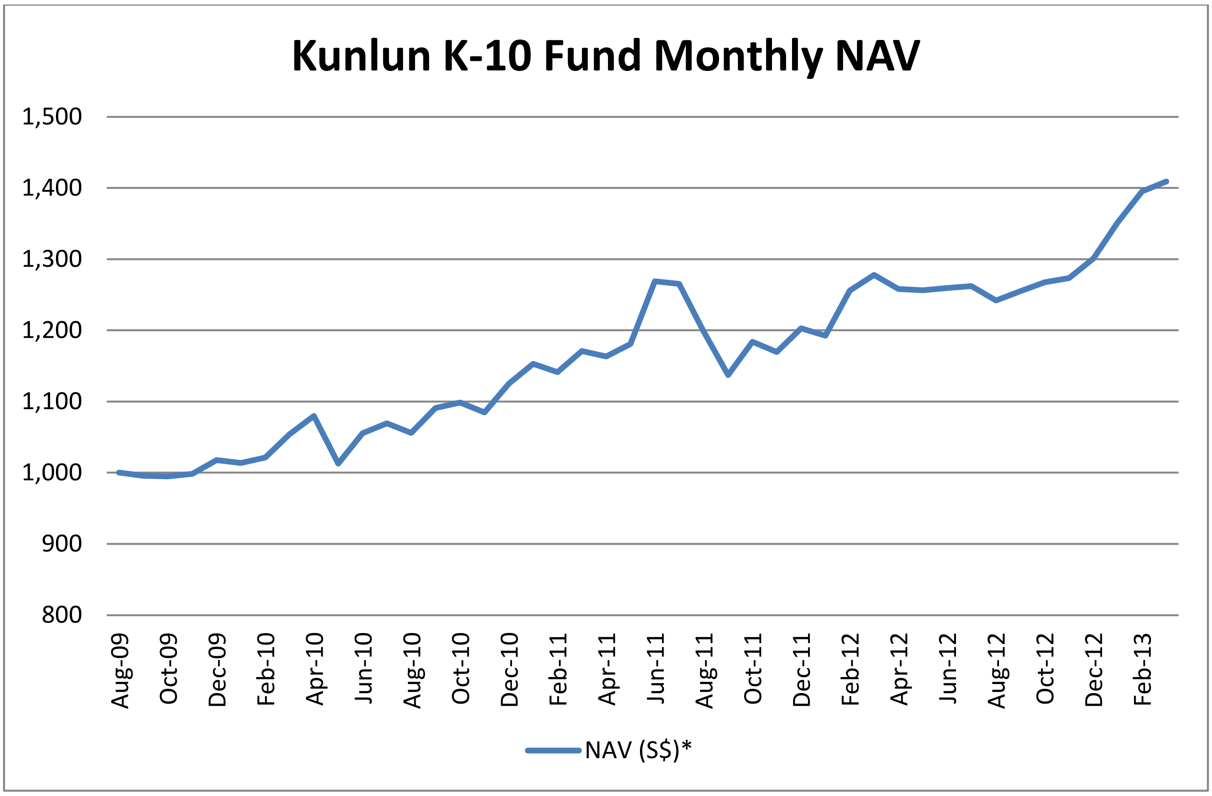
On a Price to Book basis, the portfolio valuations are on the higher end. Price to book is by no means a perfect measure. Mark to market accounting has made it more variable than in the past, but it still provides us a good way to look beyond the cyclicality. Most of our companies expect to see decent growth and seem optimistic, but valuations are on the higher side and economies continue to remain soft. Our investments in the consumer sector have continued to do well. Our positions in the industrials sector, however, remain tepid. What I also find interesting about this "recovery" is that it seems more of a rerating of safe stocks rather than an actual broad based movement. Of course I must admit my universe is somewhat myopic, and I would be happy to share contrasting views. It will be an interesting next few months.

Not all of our consumer stocks are expensive, but we are reducing our position in **Del Monte Pacific Limited**. We bought it when the expected P/E was about 9-10x. Things were not going well for the company then, but we saw a solid branded business with good exposure to the Philippines beneath its troubles. We initiated a decent sized position initially, but failed to add more as the prospects improved, due to the stock's illiquidity and a reluctance to pay up. Naturally we are kicking ourselves right now… Management has done a good job of fixing its problems; the sector and country is also in vogue. At 25x trailing PE, we think it would be prudent to reduce our position.

One area I have been studying with great interest is the advent of shale gas/ oil or more commonly known as Fracking. The jury is out on its safety. Naturally its proponents claim little damage is done. Personally I think the potential environmental consequences are horrendous. Potential aquifer contamination, toxic chemicals, and possibly even earthquakes (from wastewater injection) are some of the costs. The rush for cheap fuel seems to be overriding any prior considerations for the environment. National Geographic has a good write up on methane. It is worth reading if you have the time, especially the special report on shale gas.

Fracking's ultimate potential is unknown. It is an improvement of existing yields and its sustainability is still in question. From an investing standpoint, however, Fracking, if successful, has the potential to offset declines in the Middle East. It could change a lot of our assumptions going forward.

Goh Yew Liang
15 April 2013


Kunlun K-10 Fund Monthly NAV
1,500
1,400
1,300
1,200
1,100
1,000
900
800
Aug-09
Oct-09
Dec-09
Feb-10
Apr-10
Jun-10
Aug-10
Oct-10
Dec-10
Feb-11
Apr-11
Jun-11
Aug-11
Oct-11
Dec-11
Feb-12
Apr-12
Jun-12
Aug-12
Oct-12
Dec-12
Feb-13
NAV (S$)*