Dear Investors,

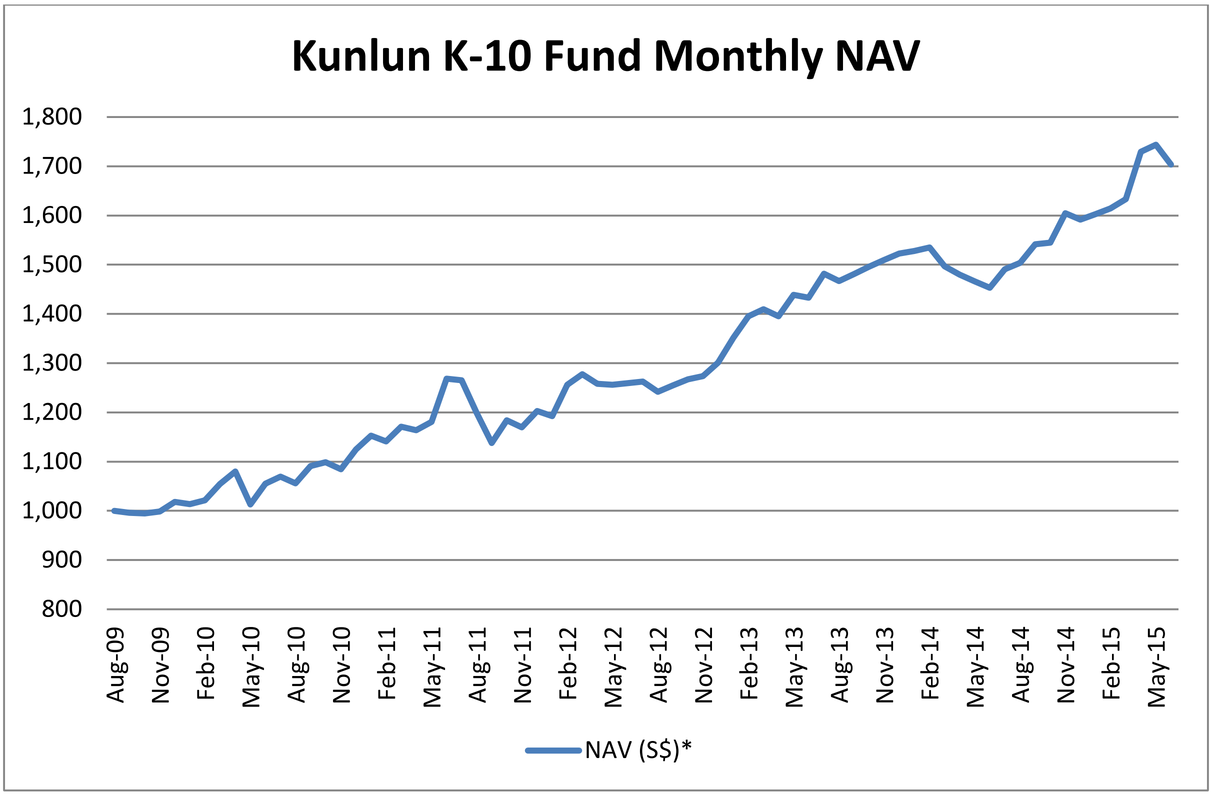
The Fund was up 4.3% for the quarter, and 7% for the year. The portfolio has a Price to Book Ratio of 1.7x, a PE of 15.1x, a Dividend Yield of 4.7%, and an ROE of 11%. It is 53% invested.

Markets were extremely volatile in the 2nd quarter, particularly in China and Hong Kong. There is a natural inclination to hold on to positions as prices rise, in hope of potentially higher future profits. However, we have learnt not to be too greedy, and to realize we cannot predict tops (or bottoms). It is better to follow a disciplined sell process when prices exceed intrinsic values. Hence the decision to trim our positions.

The subsequent correction, as always, was unpredicted and swift; we used the opportunity to add to our positions as they fell below intrinsic value. Unfortunately, the window was very short as the authorities intervened quickly. Even in an overvalued market, experience shows it is very difficult to fight a credible central bank with adequate reserves in the short/ medium term. For now, the intervention seems to have stabilized the market, but we are mystified why the authorities have gone to such an extent to protect the stock market. The actions do not inspire much confidence. It is instructive to remember Ben Graham’s missive: “In the short run, the market is a voting machine but in the long run, it is a weighing machine.”

Valuations will ultimately decide the price of stocks, and the level of the market. Interventions notwithstanding... We will watch the market with great interest. Growth remains tepid but volatile markets may present more opportunities in the coming months.

Goh Yew Liang
24 July 2015


Kunlun K-10 Fund Monthly NAV
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
Aug-09
Nov-09
Feb-10
May-10
Aug-10
Nov-10
Feb-11
May-11
Aug-11
Nov-11
Feb-12
May-12
Aug-12
Nov-12
Feb-13
May-13
Aug-13
Nov-13
Feb-14
May-14
Aug-14
Nov-14
Feb-15
May-15
NAV (S$)*