Dear Investors,

The Fund was up 3.4% for the quarter, and 13.9% for the year. The portfolio has a Price to Book ratio of 1.9x, a PE of 14.6x, a dividend yield of 4% and an ROE of 13.1%. It is 56% invested.

During the quarter, we exited 2 positions completely. **Del Monte Pacific** was trading at rich valuations, in our view. (Following our disposal, the company announced a major acquisition of Del Monte Foods' consumer business. Our opinion is that the company is paying a very dear price for low growth assets, and weakening its financial position. Contrary to our expectations, Mr. Market viewed the acquisition positively, and the stock price shot up further. Time will tell whose view is right.[1]) The other position was trading at higher than normal valuations; we felt the growth prospects were quite limited for the foreseeable future, hence the exit. There is also an overarching desire to keep the portfolio focused. We added a new position during the quarter.

The threat of Quantitative Easing seems to have receded for now, only to be replaced by the US Government shut down and the prospect of a debt default. A default would have severe repercussions throughout the financial system, and naturally, we follow the saga with great interest.

Nonetheless, it would be an opportune time to stress that these events don't make us any more, or less, likely to buy, or sell, a company. Moreover, we don't trade around our positions. (Some people do it with great success, but we claim no such advantage.)

That is not to say that the direction of interest rates or macro events do not affect our investment decisions. They do. We are cognizant of them, but it is just that we take a more holistic view of it and have a different time horizon. Higher long term interest rates, if they do happen, would depress asset valuations. They would also make the dividend yielding stocks, which we happen to prefer, less attractive on the margin. The volatility of the macro situation will have an effect on the top, and bottom, lines of many of our businesses, especially in the short to medium term.

Keeping those factors in the back of our mind, we drill down to the things that matter to a company: its growth prospects, competitive advantages, financial attributes and management amongst other things. We ask ourselves if we are able to reasonably estimate its potential. We try to access a price we would pay for this company, and purchase only if Mr. Market offers an appropriate rate. Ultimately, if our investment thesis for the company plays out, we believe the improvement in fundamentals and cash flows will eventually be reflected in higher dividends and stock prices. If the price get too egregious, fundamentals decline or if we make a mistake, then we sell.

Goh Yew Liang
16 October 2013

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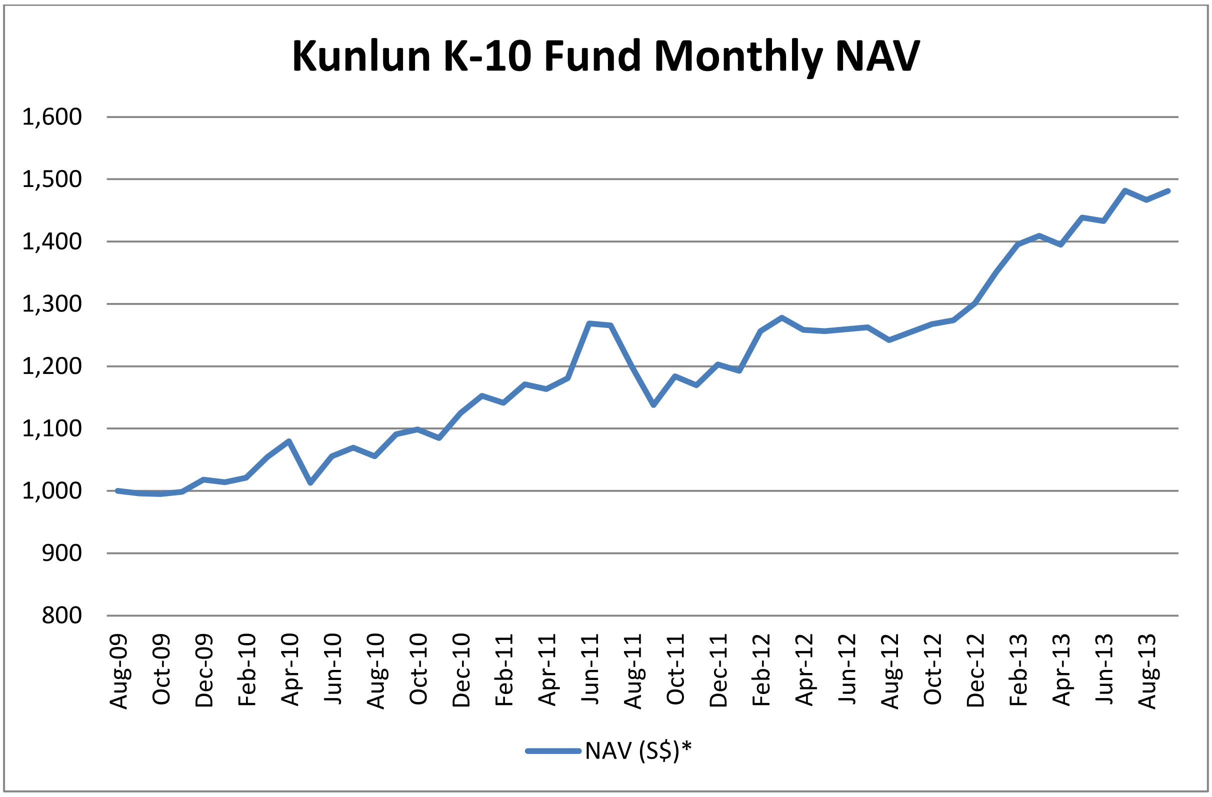
[1] In today's highly regulated and litigious society, we are obligated to mention that this newsletter represents our opinion, and is for informational purposes only. The commentary does not constitute a solicitation of business or investment advice. Do not rely on our opinion for making investment decisions. If in doubt, please seek professional advice.


Kunlun K-10 Fund Monthly NAV
1,600
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
Apr-13
Jun-13
Aug-13
NAV (S$)*