

i Capital International Value Fund ARSN 134 578 180



Quarterly Investment Report
For the period 1 January 2019 to 31 March 2019

CONTENTS

2	ICIVF at a glance
4	Performance Review
4	Market Review and Outlook
6	Fund Performance
8	Portfolio Information
9	Fund Information
10	Glossary

Investment Objective	To achieve long-term capital appreciation
Who should invest?	Investors seeking a value investing style, exposure to the global stock markets, who are able to adopt a long-term outlook and endure performance fluctuations
Entry Fee	Nil
Withdrawal Fee	Nil
Exit Fee	Nil
Transfer Fee	Nil
Bid/Offer Spread	Nil
Performance Fee	20.50% p.a. only chargeable if the following three criteria are met in the same period <ol style="list-style-type: none"> 1. Market value exceeds 6% annual rate of return <i>and</i> 2. Market value exceeds 6% annual compound rate of return <i>and</i> 3. Both annual and annual compound returns must still be above 6% if a performance fee is chargeable
Management Fee	Approx. 1.5375% p.a. of the NAV
Administration Cost	Approx. 1.169% p.a. of the NAV. These expenses are paid as and when they occur.
Other Expenses	<p>As our direct investor, no commission or additional fees associated with distributors or financial advisers are applicable to you.</p> <p>A number of other expenses can be paid from the fund if incurred. However we decided not to recover these expenses from the Fund, e.g.</p> <ul style="list-style-type: none"> - Printing of quarterly and annual reports - Costs associated with establishing the fund - Professional assistance operating the fund - Independent performance verification.
Inception Date	1 July 2009

ICIVF AT A GLANCE

Minimum Investment (AUD)	\$20,000
Additional Investment (AUD)	\$2,000
Income Distribution	Annually (if any)

The table below gives an example of how the fees and costs in the Fund are charged based on your investment over a one year period. The example does not include the performance fee that may apply to your investment as we do not have a reasonable basis for estimating the performance fee.

Example:	Fee charged per year for an investment balance of \$50,000.00.
Management Fee	$\$50,000.00 \times 1.5375\% = \768.75
Administration Cost	$\$50,000.00 \times 1.169\% = \$ 584.50$
Total Fee Per Year:	\$1,353.25

By 31 March 2019, the Fund has, from its inception in July 2009, delivered an annual compound return of 4.16%, net of expenses. This is commendable as the return was generated during a very turbulent period and is higher than the average return obtained from a 1-year time deposit. The cumulative total return of the Fund is 48.80%. Comparative benchmark figures are shown in [figure 2](#) and [table 1](#).

During the 1 January 2019 to 31 March 2019 quarter, the Fund returned 8.66% after fees. This compares with the MSCI ACWI Index and ASX200 in AUD (benchmark) return of 10.61% and 9.47%, resulting in relative performance of -1.95% and -0.81%. For the year ending 31 March 2019, the Fund returned -0.98% after fees which compares with the benchmark returns of 8.57% and 7.31%.

MARKET REVIEW AND OUTLOOK

Democracy In Decline

As we reached the middle of 2019, it is timely to pause and take stock of an astonishing confusing global situation.

Brexit was supposed to have been completed long ago. Instead, Brexit has morphed into a crisis that is a lot more complicated than when it first erupted in 2016. No one knows the solution because no one really what the problem is anymore. In the process, the United Kingdom has become a divided black and white geographical space. Theresa May was forced to resign and the leading candidate for her replacement in the Conservative Party is a worrying person who has a track record of achieving nothing.

Boris Johnson has been ordered to appear in court over claims he lied by saying the UK gave the EU £350m a week. The former foreign secretary faces three allegations of misconduct in public office, between 21 February and 23 June 2016, and between 18 April and 3 May 2017. In a private prosecution launched by Marcus Ball, who crowdfunded £200,000 for the case, Mr Ball's lawyers lodged an application in February to summons Mr Johnson, claiming that while an MP and mayor of London, he deliberately misled the public during the first campaign, and repeated the statement during the second. Hard Brexit seems likely.

By mid-2019, we have a Trump-led trade war against China that has quickly escalated beyond trade and seems set to get worse. The 2020 US election will be held in an atmosphere where the United States has brazenly declared war on a non-Caucasian competitor. It is not just trade deficit; it is not just "murdering" Huawei. Kiron Skinner is not the only US top official to openly call this racist war against China what it is. Ms Nazak Nikakhtar described by Financial Times as "a little-known hardliner playing a big role in implementing the administration's combustible international economic agenda" is in favour of disentangling the US and China rather than

fostering closer ties. Nazak Nikakhtar is a worrying hardliner as she is a combination of Peter Navarro, the Dagger Man, and Robert Lighthizer. She is the acting head of the US commerce department's Bureau of Industry and Security.

"Anger at political elites, economic dissatisfaction and anxiety about rapid social changes have fuelled political upheaval in regions around the world in recent years. Anti-establishment leaders, parties and movements have emerged on both the right and left of the political spectrum, in some cases challenging fundamental norms and institutions of liberal Democracy" (source: www.pewglobal.org). These have led to declines in the health of liberal democracy globally.

The Pew Research Center is a non-partisan "fact tank that informs the public about the issues, attitudes and trends shaping America and the world" based on public opinion polling, demographic research, content analysis and other data-driven social science research. Pew Research Center conducted a survey among 30,133 people in 27 countries from 14 May to 12 Aug 2018 on their views about democracy.

Some of the key findings of this survey are:

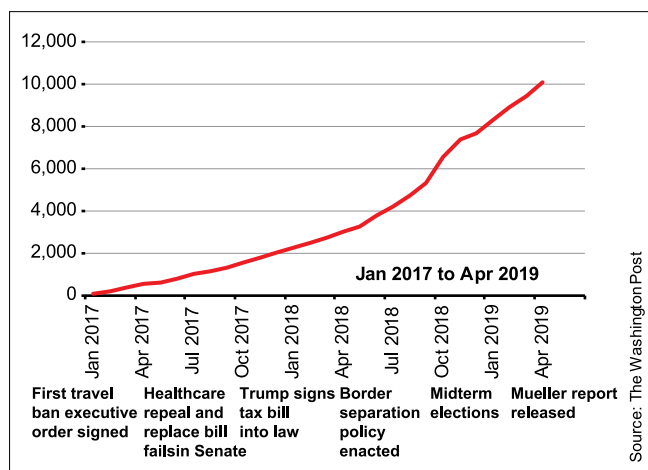
- [1]. *"Across 27 countries polled, a median of 51% are dissatisfied with how democracy is working in their country; just 45% are satisfied.*
- [2]. *Most believe elections bring little change, that politicians are corrupt and out of touch and that courts do not treat people fairly.*
- [3]. *Dissatisfaction with democracy is related to economic frustration, the status of individual rights, as well as perceptions that political elites are corrupt and do not care about average citizens.*

Source: www.pewglobal.org/2019/04/29/many-across-the-globe-are-dissatisfied-with-how-democracy-is-working/

In 869 days, President Trump has made a humongous

10,796 false or misleading claims— see [figure 1](#). US News & World Report reported in 2019 that “63% of people say that there are no longer any objective news sources they can trust, and 66% say internet news and content is dividing people rather than uniting them. What’s more, more than 50% agree that political and social issues around the world have gotten worse over the past year.”

Figure 1 Number of False or Misleading Claims



Source: (https://www.washingtonpost.com/graphics/politics/trump-claims-database/?noredirect=on&utm_term=.8f61a3160cb1)

The 2020 US election will be held in a global atmosphere where the health of democracy has been facing a steep decline. We need to remind ourselves that Trump was elected in a supposedly liberal democracy (so were Hitler and Mussolini). The combination of a trust decay in the Western media, Trump as president, toxic polarisation, hate speech, and racist policies in the US and Europe is actually the biggest threat to the health of liberal democracy all over the world, not a prosperous pacifist China. Among these negative factors, the one linking all of them together and magnifying their adverse impact is Trump. To make sure that the global community does not have an instigating monster in power again, Trump has to lose the 2020 US presidential election.

The US Congress has to act and impeach US president Trump. In his first public comments, special counsel Robert Mueller said: “If we had confidence that the president clearly did not commit a crime, we would have said that.” Mueller investigated Trump and Russian meddling in the 2016 US election and has now passed the baton to the US Congress. We need to remember that World War 1 and 2 were created by democracies among the Western powers and Japan, and the innocent rest of the world was tragically sucked in.

Your Fund had about 49% of its NAV in cash towards the end of 2018. Due to some purchases

after that, this now dropped to around 17% at the time of writing this commentary. The NAV of the *i* Capital International Value Fund can be viewed at either www.capitaldynamics.com.au or www.funds.icapital.biz.

Best wishes.

陳鼎武

Tan Teng Boo
 Director
 Capital Dynamics (Australia) Limited
 ABN 53 129 846 260 AFSL 326283
 15th June 2019

FUND PERFORMANCE 1

Figure 2 Total return (%)

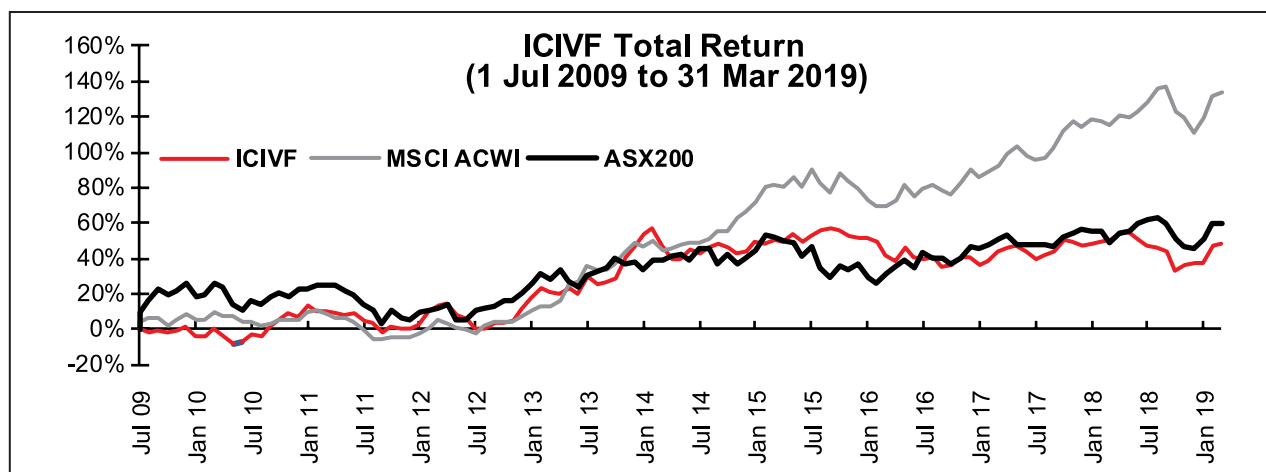


Table 1 Cumulative Total Return and Compound Return

	Cumulative Total Return (%)			Compound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICIVF (AUD)	-0.98%	3.45%	48.80%	4.16%
MSCI ACWI (AUD)	8.57%	21.67%	133.84%	9.10%
ASX200 (AUD)	7.31%	5.40%	59.54%	4.91%

Note : Past performance is not a reliable indicator of future performance. Performance is calculated in Australian dollars, net of ongoing fees and expenses and assumes reinvestment of distributions.

FUND PERFORMANCE 2

Table 2 Top 5 performing stocks (in local currency)

	Quarter ending 31 Mar 2019 (% of change)
CONCORD NEW ENERGY	33.87%
ALIBABA GROUP HOLDING LTD	33.11%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	21.61%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	13.33%
PICO FAR EAST HLDG LTD	12.72%

The table above presents the top 5 performing stock your fund held at some time within the referenced quarter. The stocks do not necessarily need to be bought at the start of the

quarter (i.e. 1 January 2019), and held till the end of the quarter (i.e. 31 March 2019). Stock performance will only be measured over the specific period that your fund held the stock

in the referenced quarter. This means that, for example, if Concord New Energy was bought on 21 Jan 2019 and sold on 31 Mar 2019, its performance is only measured over 21 Jan 2019 to 31 Mar 2019 and not over the full

quarter. Similarly, if it was bought on 1 Jan 2019 and sold on 11 Mar 2019, its performance is measured over the period 1 Jan 2019 to 11 Mar 2019.

FUND PERFORMANCE 3

Table 3 shows the percentage gain or loss of each company held by your Fund as at 31 Mar 2019. This table assumes no impact from currency movements or constant exchange rates.

Table 3 Percentage gain or loss arising from stock price changes

Security	Average Cost (A\$)	Price Dec 2018 (A\$)	% Change
ALIBABA GROUP HOLDING LTD	264.18	243.34	-7.89%
CHINA NEW TOWN DEV NPV	0.05	0.03	-33.51%
CONCORD NEW ENERGY	0.05	0.05	4.36%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	0.95	1.22	28.73%
K2 ASSET MANAGEMENT HOLDINGS	0.28	0.07	-74.59%
OVERSEAS EDUCATION LTD	0.37	0.30	-19.82%
PAN-UNITED CORPORATION LIMITED	0.42	0.24	-42.62%
PICO FAR EAST HLDG LTD	0.52	0.54	3.78%
REXLOT HOLDINGS LTD	0.10	0.00	-96.88%
UOL GROUP LIMITED	7.08	7.24	2.18%
XINGHUA PORT HOLDINGS LTD	0.22	0.15	-32.67%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	4.54	2.60	-42.61%

FUND PERFORMANCE 4

Table 4 shows the percentage gain or loss arising from currency movements as at 31 Mar 2019. This table assumes no change in stock prices or constant stock prices.

Table 4 Percentage gain or loss arising from currency movements

Security	Average Cost (A\$)	Price Dec 2018 (A\$)	% Change
ALIBABA GROUP HOLDING LTD	264.18	278.84	5.55%
CHINA NEW TOWN DEV NPV	0.05	0.05	6.71%
CONCORD NEW ENERGY	0.05	0.07	49.24%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	0.95	1.01	6.90%
K2 ASSET MANAGEMENT HOLDINGS	0.28	0.28	0.00%
OVERSEAS EDUCATION LTD	0.37	0.40	9.16%
PAN-UNITED CORPORATION LIMITED	0.42	0.45	8.02%
PICO FAR EAST HLDG LTD	0.52	0.55	6.27%
REXLOT HOLDINGS LTD	0.10	0.12	20.47%
UOL GROUP LIMITED	7.08	7.07	-0.19%
XINGHUA PORT HOLDINGS LTD	0.22	0.25	10.19%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	4.54	4.90	8.01%

PORTFOLIO INFORMATION

Table 5 Percentage of assets held as cash

	Cash (%)	Equities (%)
End of Dec 2018	49.50%	50.50%
End of Jan 2019	47.46%	52.54%
End of Feb 2019	34.13%	65.87%
End of Mar 2019	29.72%	70.28%

Table 6 Top 5 holdings as at end Mar 2019

	54.95%
ALIBABA GROUP HOLDING LTD	15.11%
PICO FAR EAST HLDG LTD	12.39%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	10.64%
UOL GROUP LIMITED	9.45%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	7.36%

Table 7 Portfolio breakdown for equities by region as at end Mar 2019 (in AUD)

	100.00%
Hong Kong	44.44%
Australia	0.03%
Singapore	23.55%
China	10.47%
United States	21.51%

FUND INFORMATION

About *i* Capital International Value Fund

The *i* Capital International Value Fund invests in listed securities in Australia and internationally.

The strategy is driven by an intelligently eclectic “Bamboo value investing” philosophy with an emphasis on the margin of safety created by stock selections based on divergences between market prices and the underlying intrinsic values of the companies.

The objective of Capital Dynamics (Australia) Limited (CDAL) is to seek long-term capital appreciation whilst reducing the margin of error when investing. This is achieved with a rigorous, innovative and well-defined value investing approach.

Unlike conventional value investing, CDAL adopts a bottom-up approach to portfolio construction, overlaid with a macro view. The objective of CDAL is to obtain a sound investment framework that allows for a clear perspective of how economies, markets and sentiment interact and how this interaction influences its investments.

About the Group

Capital Dynamics is an independent global fund manager and investment adviser, not tied to any bank, insurer, stockbroker or political organisation.

Our managed funds and investment advisory service are all directly accessible by individual, corporate and institutional investors around the world, and we also offer individually managed accounts to wholesale investors. Currently we manage over US\$300m, from our offices in Kuala Lumpur, Singapore, and Sydney. Our investment advisory service is provided via *i* Capital newsletter, a weekly publication, and www.icapital.biz. It is available in English and Chinese.

Philosophies

Independence, intelligence and integrity drive all business and investment decisions at Capital Dynamics. Integrity is central to our corporate culture, and to our loyal clients of many years, our word has proven to be our bond. Capital Dynamics has some of the most stringent compliance policies in the industry.

As a global fund manager, our “Bamboo value investing” philosophy is unique, and has enabled Capital Dynamics to generate sustained superior returns. Based on long-only investment principles, our value investing approach is given flexibility with the addition of macroeconomic factors and further investment intelligence from our team of fund managers and analysts. We go behind the commercial veneer of companies, travelling globally to research first hand.

MP

Abbreviation for Member of Parliament.

NOTES

Past performance is not a reliable indicator of future performance. Performance is calculated in Australian dollars, net of ongoing fees and expenses and assumes reinvestment of distributions.

Capital Dynamics (Australia) Limited (CDAL) (ABN 53 129 846 260 | AFSL 326283) is the responsible entity and issuer of *i* Capital International Value Fund (“Fund”). The Product Disclosure Statement dated 30 September 2018 (“PDS”) is the current offer document for the Fund. You can obtain a copy of the PDS from CDAL’s website www.capitaldynamics.com.au, or contact CDAL at 1300 798 655, or email CDAL at info@capitaldynamics.com.au.

Before making any investment decision you will need to consider your particular investment

needs, objectives and financial circumstances. You should also consider the PDS in deciding whether to acquire, or continue to hold, units in the Fund.

Disclaimer: The information in this Quarterly Investment Report is not intended to provide advice. It has not been prepared taking into account any particular investor’s or class of investor’s investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. None of CDAL nor any of its related entities guarantees the performance of the Fund or the repayment of capital or any particular rate of return or any distribution.

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