

*i* Capital International Value Fund ARSN 134 578 180



**Quarterly Investment Report**  
For the period 1 January 2021 to 31 March 2021



## CONTENTS

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

**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

1. Market value exceeds 6% annual rate of return *and*
2. Market value exceeds 6% annual compound rate of return *and*
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. 1.1272% p.a. of the NAV. These expenses are paid as and when they occur.

**Other Expenses**

**As our direct investor, no commission or additional fees associated with distributors or financial advisers are applicable to you.**

**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.**

- Printing of quarterly and annual reports
- Costs associated with establishing the fund
- Professional assistance operating the fund
- Independent performance verification.

## ICIVF AT A GLANCE

<b>Inception Date</b>	1 July 2009
<b>Minimum Investment (AUD)</b>	\$20,000
<b>Additional Investment (AUD)</b>	\$2,000
<b>Income Distribution</b>	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.

<b>Example:</b>	<b>Fee charged per year for an investment balance of \$50,000.00.</b>
<b>Management Fee</b>	$\$50,000.00 \times 1.5375\% = \$768.75$
<b>Administration Cost</b>	$\$50,000.00 \times 1.1272\% = \$563.62$
<b>Total Fee Per Year:</b>	\$1332.37

## PERFORMANCE REVIEW

By 31 March 2021, the Fund has, from its inception in July 2009, delivered an annual compound return of 3.45%, 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 48.98%. Comparative benchmark figures are shown in **chart 1** and **table 1**.

During the 1 January 2021 to 31 March 2021 quarter, the Fund returned 0.35% after fees. This compares with the MSCI ACWI Index and ASX200 in AUD (benchmark) return of 5.55% and 3.09%, resulting in relative performance of -5.20% and -2.75%. For the year ending 31 March 2021, the Fund returned 7.45% after fees which compares with the benchmark returns of 22.31% and 33.76%.

## MARKET REVIEW AND OUTLOOK

Last year, when the Covid-19 pandemic broke out, one of the measures implemented to control its spread was to lock down communities in order to break the chain of transmission. As this measure spread across the globe, economic activities suddenly came to a halt. Many economies consequently contracted at a pace that was unprecedented.

There was widespread fear amongst economists, policymakers, businesses and governments that there will be a shortage of demand and that economies will be trapped in a serious long drawn recession. Businesses started getting ready by cutting down their work force and scaling down their operations. At the same time, economists and policymakers were calling for their governments to urgently implement fiscal and monetary measures to support the economy, which they did. Before long, the economies were springing back to life and businesses were caught unprepared for such a quick recovery. The global economy now finds itself in an unusual situation – due partly to the numerous supply disruptions arising from the Covid-19 pandemic and partly to the supply chain chaos created by Donald Trump’s anti-China economic war, there seems to be a shortage of many things. It is not just semiconductor chips but a wide range of items like lumber, steel, lithium, copper, etc are in short supply too. Their prices have surged (**figure 1**).

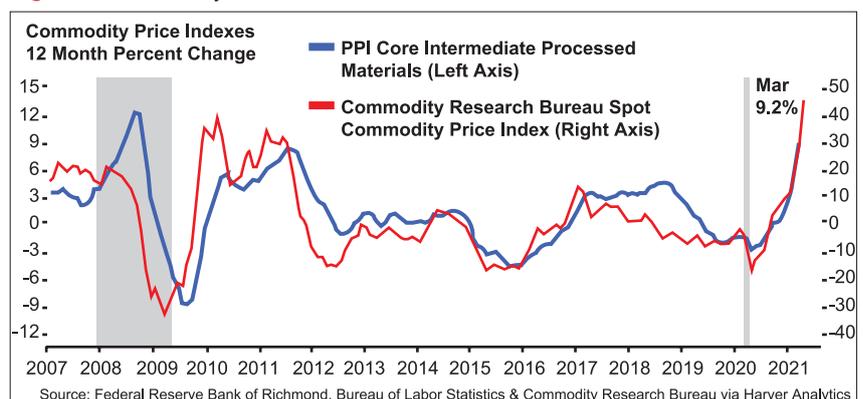
Stuff like tomato ketchup, truck drivers and more are also facing similar situations. *We are seeing very substantial inflation,*” Warren Buffett said at the recent Berkshire Hathaway’s annual shareholder meeting. Financial markets are now wondering if inflation will stay elevated for a prolonged period.

There is, however, one event that deserves close monitoring, at least for the next one to two months. Over in Taiwan, there is no let-up in the severe drought situation. For the benefits of our investors, we show the water storage levels at Taiwan’s reservoirs (**figure 2**). Why is this drought in Taiwan crucial?

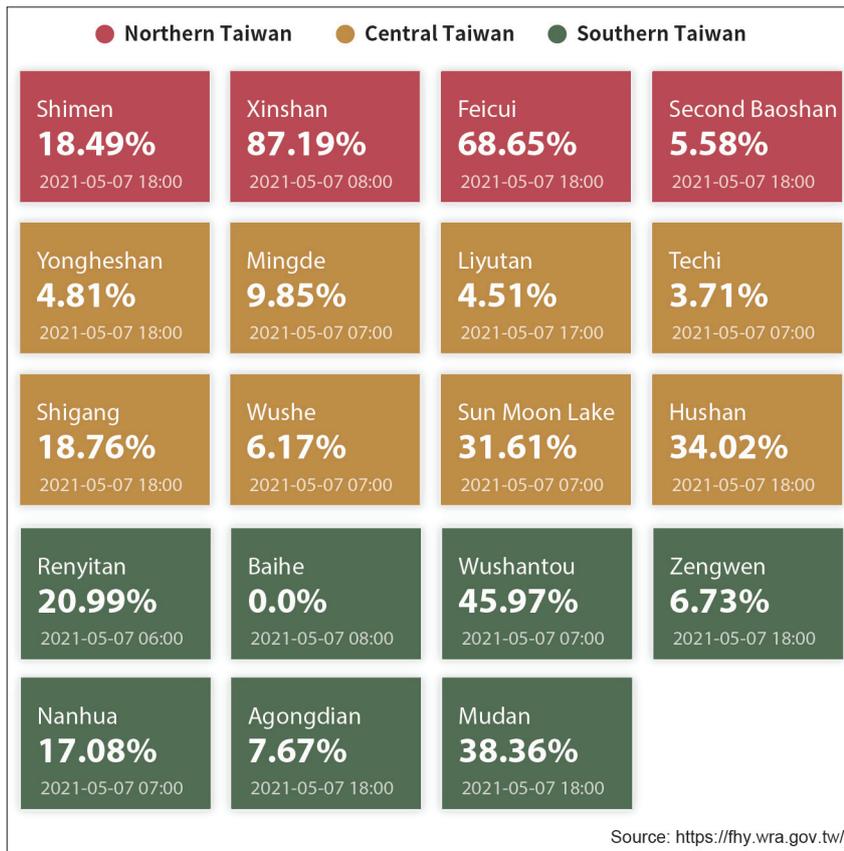
5G, Internet of Things, Big data/AI, EV, sensors and a whole host of factors are driving and sustaining the global demand growth for semiconductors. With a global chip shortage being reported by global media almost every day, the sky is apparently the limit for semiconductor-related stocks. At Capital Dynamics (Australia) Ltd, we are a bit more circumspect. Why ?

Before 2020 started, similar bullish sentiment was expressed by the airline and tourism industries all over the world. The world economy was doing well. The US economy was seeing an unemployment rate that has not been seen for many decades. There was no presence of serious inflationary pressures. China’s economy was slowing down ever so gently as desired by the government. Even Japan’s Abe Shinzo was boasting about the longest economic expansion ever. International tourist arrivals were projected to

**Figure 1** Commodity Price Indexes



**Figure 2** Reservoir Level Across Taiwan



and applications – without this ubiquitous item, the global economy will crash to a halt; semiconductors are the new crude oil.

Thanks to the severe drought, many of Taiwan’s reservoirs are now at critical levels. TSMC has semiconductor plants in north, central, and south Taiwan, many areas of which have been severely affected by the drought. At the Baoshan No. 2 Reservoir in Hsinchu County, one of the primary water sources for Taiwan’s semiconductor industry, the water level is at the lowest it has ever been. The island has historically seen three or four typhoons a year, but since 2010 the number of typhoons making landfall has fallen to 2.5 a year on average. In 2020, not a single typhoon hit Taiwan for the first time in more than half a century. In addition, during the first three months of 2021, rainfall has been less than 40% of the usual rate. May and Jun 2021 are critical months to watch. As at the time of writing this

continue growing like it has been doing for years. Backed by China’s booming economy, Chinese tourists were expected to continue growing year after year. Then came the Covid-19 pandemic in early 2020 and all the well-researched and justified optimism was crushed – no one expected the pandemic. In the very many analyst briefings of semiconductor-related stocks that we have attended, both local and foreign, we have not heard a single word of caution or reservation or a question on what could go wrong with the semiconductor industry.

Taiwan is currently in the grip of her worst drought in 60 years. In early 2020, no one expected a tiny virus to crush the global economy and 2020 turned out to be the year where a recession occurred and it was unique in the sense that it was not caused by monetary tightening or a financial crisis or an asset bubble. Will the next recession be the first to be caused by climate change?

Thanks to global companies like TSMC, UMC, etc, Taiwan is a key source of semiconductors. TSMC and Samsung supply 75% semiconductors globally. Around 90% of the most advanced microchips are manufactured in Taiwan. Any drought-related disruption in Taiwan’s production of semiconductors will send a global economic shock. Semiconductors are now essential in a very wide range of products

Commentary, your Fund has 20% of its NAV in cash.

The *i* Capital International Value Fund starting from 2020 is different from what it was in the last few years. We remain confident that the NAV of *i* Capital International Value Fund will climb steadily from its low in Apr 2020. We again strongly recommend investors to take advantage of the global panic to invest more and benefit from dollar cost averaging.

The NAV of the *i* Capital International Value Fund can be viewed at either [www.capitaldynamics.com.au](http://www.capitaldynamics.com.au) or [www.funds.icapital.biz](http://www.funds.icapital.biz)

Best wishes.

Tan Teng Boo  
 Director  
 Capital Dynamics (Australia) Limited  
 ABN 53 129 846 260 AFSL 326283  
 10th May 2021

## FUND PERFORMANCE 1

Chart 1 Total return (%)

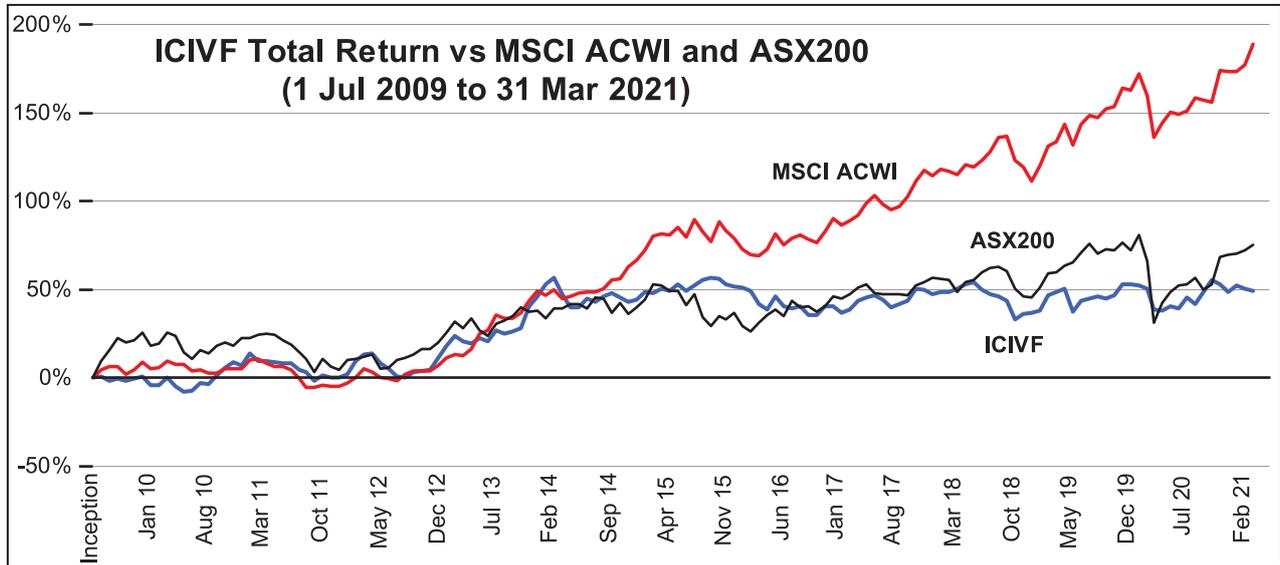


Table 1 Cumulative Total Return and Compound Return

	Cumulative Total Return (%)			Compound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICIVF (AUD)	7.45%	0.12%	48.98%	3.45%
MSCI ACWI (AUD)	22.31%	23.47%	188.73%	9.44%
ASX200 (AUD)	33.76%	9.87%	75.29%	4.89%

## FUND PERFORMANCE 2

Table 2 Top 5 performing stocks (current holdings only) (in local currency)

	Quarter ending 31 Mar 2021 (% of change)
Concord New Energy	19.15%
Guangdong Provincial Expressway Development Co Ltd	12.24%
Arwana Citramulia	8.09%
Krones AG	4.77%
Overseas Education Ltd	3.23%

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 2021), and held till the end of the quarter (i.e. 31 March 2021). 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 Arwana Citramulia was bought on 21 January 2021 and sold on 31 March 2021, its performance is only measured over 21 January 2021 to 31 March 2021 and not over the full quarter. Similarly, if it was bought on 2 January 2021 and sold on 11 March 2021, its performance is measured over the period 2 January 2021 to 11 March 2021.

## FUND PERFORMANCE 3

**Table 3** shows the percentage gain or loss of each company held by your Fund as at 31 March 2021. 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 Mar 2021 (A\$)	% Change
Alibaba Group Holding Ltd	264.18	302.39	14.47%
Arwana Citramulia	0.05	0.07	44.68%
China New Town Dev Npv	0.05	0.02	-50.30%
China Traditional Chinese Medicine Co Ltd	0.67	0.81	21.87%
Concord New Energy	0.05	0.07	40.08%
Guangdong Provincial Expressway Development Co Ltd	0.95	0.82	-13.83%
K2 Asset Management Holdings	0.28	0.08	-70.96%
Krones Ag	96.92	112.19	15.75%
Overseas Education Ltd	0.37	0.30	-17.24%
Pico Far East Hldg Ltd	0.52	0.21	-59.98%
Ping An Insurance Group Of China Limited	15.84	15.33	-3.24%
Polaris Inc	177.32	173.47	-2.18%
Rexlot Holdings Ltd	0.10	0.00	-96.88%
Sunright Ltd	0.50	0.44	-11.75%
Zhengzhou Yutong Bus Co Ltd Ord Shs A	4.54	2.78	-38.68%

**Table 4** shows the percentage gain or loss arising from currency movements as at 31 March 2021. 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 Mar 2021 (A\$)	% Change
Alibaba Group Holding Ltd	264.18	260.06	-1.56%
Arwana Citramulia	0.05	0.05	-6.15%
China New Town Dev Npv	0.05	0.05	0.49%
China Traditional Chinese Medicine Co Ltd	0.67	0.67	0.63%
Concord New Energy	0.05	0.07	33.21%
Guangdong Provincial Expressway Development Co Ltd	0.95	0.95	0.67%
K2 Asset Management Holdings	0.28	0.28	0.00%
Krones Ag	96.92	92.25	-4.82%
Overseas Education Ltd	0.37	0.38	2.63%
Pico Far East Hldg Ltd	0.52	0.52	0.08%
Ping An Insurance Group Of China Limited	15.84	16.15	1.98%
Polaris Inc	177.32	179.18	1.04%
Rexlot Holdings Ltd	0.10	0.11	13.45%
Sunright Ltd	0.50	0.50	-0.10%
Zhengzhou Yutong Bus Co Ltd Ord Shs A	4.54	4.69	3.27%

## PORTFOLIO INFORMATION

**Table 5** Percentage of assets held as cash

	Cash (%)	Equities (%)
End of Dec 20	14.50%	85.50%
End of Jan 21	25.17%	74.83%
End of Feb 21	14.51%	85.49%
End of Mar 21	3.57%	96.43%

**Table 6** Top 5 holdings as at end March 2021

	<b>60.28%</b>
Alibaba Group Holding Ltd	18.91%
Krones Ag	12.62%
Polaris Inc	9.90%
Concord New Energy	9.48%
Ping An Insurance Group Of China Limited	9.38%

**Table 7** Portfolio breakdown for equities by region as at end March 2021 (in AUD)

	<b>100.00%</b>
Hong Kong	40.01%
Australia	0.03%
Singapore	6.76%
China	8.41%
Europe	13.09%
United States	29.87%
Indonesia	1.83%

## 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](http://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.

**PE Ratio**

The price-earnings ratio (PE ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

## 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 2020 (“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](http://www.capitaldynamics.com.au), or contact CDAL at 1300 798 655, or email CDAL at [info@capitaldynamics.com.au](mailto: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.

© Capital Dynamics (Australia) Limited 2021. All Rights Reserved.

® “Capital Dynamics” and “*i* Capital” are registered trademarks.

## NOTES





***i*capital<sup>®</sup>**  
BY **Capital Dynamics**

INDEPENDENCE \* INTELLIGENCE \* INTEGRITY

Responsible Entity, Issuer and  
Investment Manager  
Capital Dynamics (Australia) Limited  
ABN 53 129 846 260  
AFSL 326283

Suite 101, Level 1, 49-51 York Street, Sydney  
NSW 2000, Australia  
(61 2) 92622621  
[www.capitaldynamics.com.au](http://www.capitaldynamics.com.au)  
[info@capitaldynamics.com.au](mailto:info@capitaldynamics.com.au)