

i Capital International Value Fund ARSN 134 578 180



Quarterly Investment Report
For the period 1 July 2019 to 30 September 2019

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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. 1.1285% 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

Inception Date	1 July 2009
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 1.1285\% = \564.25
Total Fee Per Year:	\$ 1,333.00

PERFORMANCE REVIEW

By 30 September 2019, the Fund has, from its inception in July 2009, delivered an annual compound return of 3.69%, 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 45.03%. Comparative benchmark figures are shown in [figure 1](#) and [table 1](#).

During the 1 July 2019 to 30 September 2019 quarter, the Fund returned 0.97% after fees. This compares with the MSCI ACWI Index and ASX200 in AUD (benchmark) return of 3.49% and 1.05%, resulting in relative performance of -2.53% and -0.08%. For the year ending 30 September 2019, the Fund returned 1.15% after fees which compares with the benchmark returns of 6.54% and 7.74%.

MARKET REVIEW AND OUTLOOK

The Chagos Islands and Hong Kong

When you meet the Hong Kong rioters, ask them where the Chagos Islands are. We can be sure they will tell you that they do not know this place or they have never even heard of it. You should then tell them to find out more and learn more about the Chagos Islands. They will look at you sardonically and think you are wasting their time as they are very busily rioting for freedom and democracy in Hong Kong. Be patient with these "hooligans" as they always think they are right and anyone with a different view is both ignorant and stupid ("hooligans" as defined by professor Jason Brennan, author of "Against Democracy"). In fact, if the Hong Kong rioters can truly open their eyes and minds, the history and experience of the Chagos Islands have plenty of valuable lessons for Hong Kong. Why?

In May 2019, the UN General Assembly voted overwhelmingly to demand that Britain end her "colonial administration" of the Chagos Islands and return them to Mauritius within six months. The vote was 116-6 in favour, with 56 abstentions. The 193-member world body approved a resolution supporting an advisory opinion given in Feb 2019 by the International Court of Justice (ICJ) that the Indian Ocean island chain be given back to Mauritius.

The ICJ said in its opinion that Britain had unlawfully carved up Mauritius, which the Chagos Archipelago was a part of, in 1965 when Mauritius was a British colony. It said that "*the United Kingdom is under an obligation to bring to an end its administration of the Chagos Archipelago as rapidly as possible.*" Britain has the audacity to call the islands "British Indian Ocean Territory." The ICJ had in its Feb's advisory ruling called on the UK to relinquish her hold on the territory in order to complete the process of decolonisation.

Together with Britain, only the US, Australia, Hungary, Israel and the Maldives voted against. Austria, Greece, Ireland, Spain, Sweden and Switzerland and over a hundred other nations voted for the UK to relinquish sovereignty. Even more outrageously, the UK said "*it is not in our plan to give the islands to Mauritius.*" In short, Britain has blatantly defied an order by the UN and the world's highest court to return control of Chagos Islands to Mauritius. The UN had given the UK six months to do so, but this deadline has now passed. Mauritius has justifiably accused Britain of being an "illegal colonial occupier" in the Chagos Archipelago. Even Pope Francis has accused Britain of placing greed over humanity and that Britain's failure to heed the United Nations vote as uncivilised.

The Chagos Islands were separated from Mauritius when the island nation was still a British colony. The United Kingdom paid Mauritius £3 million for the Chagos islands in 1965. It combined them with three islands from the Seychelles to create British Indian Ocean Territory. Three islands were subsequently returned to the Seychelles. Britain evicted about 2,000 people from the Chagos Islands in the 1960s and 1970s so that the United States could build a large airbase on Diego Garcia, the largest of its atolls. The Chagossians and their descendants have been campaigning for the right to return home ever since.

The US and Britain had been campaigning vigorously at the UN and directly in talks with national capitals around the world in defence of Britain's continued control of the Chagos archipelago. The scale of the defeat for the UK and US at the UN came as a shock to these two imperial powers. To quote Jagdish Koonjul, the Mauritian ambassador to the UN : "*More importantly, this has happened despite the huge, huge, pressure on national capitals and at the UN.*"



Chagos Islanders protest outside the high court, London in June 2017.

Photograph: Fiona Hanson/PA

The US has a vast military airbase on Diego Garcia, one of the islands that make up the Chagos Archipelago. The military base, which Britain has renewed the lease to the United States for 20 years until 2036, has played an important role in American military operations, including bombing runs in Afghanistan and Iraq. Fact of the matter is that it has been long off limits to reporters, the Red Cross, and all other international observers and far more secretive than Guantánamo Bay. Many have long suspected that the island was a clandestine CIA “black site” for high-profile detainees. Journalist Stephen Grey’s 2006 book *Ghost Plane* documented the presence on the island of a CIA-chartered plane used for rendition flights. Former U.S. Army General Barry McCaffrey publicly named Diego Garcia as a detention facility. A Council of Europe report named the atoll, along with those in Poland and Romania, as a secret prison.

How is the history and experience of the Chagos Islands applicable to Hong Kong and why should the Hong Kong rioters know about this unpublicised modern colonial atrocity?

Aneroid Jugnauth, a former Mauritian president leading the nation’s case in the ICJ, said the 1965 agreement on the Chagos Archipelago “*was carried out under duress.*” Jugnauth told the international court that Harold Wilson, UK’s prime minister at that time, had bullied Mauritian leaders into signing off on the “unlawful” sale just before independence. Jugnauth told the 14-judge panel of the ICJ: “The choice we were faced with was no choice at all: it was independence with detachment (of the Chagos archipelago) or no independence with detachment anyway.”

(Source: www.telegraph.co.uk/news/2018/09/03/mauritius-disputes-uk-acquisition-chagos-islands-international/).

The Hong Kong rioters refuse to accept the fact that Hong Kong has always been and will always be a part of China period. These naive rioters want Hong Kong to be treated otherwise. How can this be? The British stole Hong Kong from China over 177 years ago, just like they stole the Chagos Islands and are now refusing to give them back to Mauritius, despite the UN and ICJ demanding Britain to do so.

How did Britain get Hong Kong?

In the 19th century, while the weak Chinese government was taking stronger and stronger measures to end the illegal opium trade, the powerful British Empire were doing all they could to increase it, by force if necessary. Britain would wage three wars on the people of China in order to sell opium there. These wars for imperialist plunder and to open up the huge China market determined the fate of Hong Kong. The sole purpose of the opium wars against China was for Britain under Queen Victoria to secure the importation of addictive opium that provided a bountiful flow of profits to the British Empire.

Queen Victoria’s government decided to forcibly export opium from the British-colonised Indian subcontinent to China. There, illegal opium would then be exchanged for legal tea. In 1839, Chinese officials destroyed 20,000 bales of illegal opium. In response, Britain declared war on China in order to protect her illegal drug-smuggling operations. The Opium War of 1839-42 started when the Chinese imperial government confronted foreign merchant ships and demanded they surrender their illegal opium. The wars waged on the Chinese people caused untold deaths and casualties. The British destroyed, plundered, looted and raped their way along the coast of China.

The First Opium War lasted from 1839 to 1842. Britain invaded the China and occupied the island of Hong Kong on 25 Jan 1841. China lost the war and was forced to cede Hong Kong to Britain in the Treaty of Nanking. As a result, Hong Kong became a colony of the British Empire. The Hong Kong rioters have ignored the fact that Hong Kong was first incorporated into China in 243 BCE, during the Warring States period, long before Queen Victoria was born. Hong Kong remained under Chinese control for the next 2,000 years. It was in 1842 under British Queen Victoria’s imperial rule that Hong Kong became known as British Hong Kong. In the first Convention of Peking, ratified on 18 Oct 1860, Britain acquired the southern part of the Kowloon Peninsula and Stonecutters Island (Ngong Shuen Chau). On 9 Jun 1898, the British

Empire forcibly expanded her control of Hong Kong to include the "New Territories."

Aneroid Jugnauth description of the 1965 agreement on the Chagos Archipelago equally applies to Hong Kong. The Treaty of Nanking "was carried out under duress", even more so in China's case. Like the tiny nation of Mauritius in 1965, the weak Qing dynasty of the 19th century had no choice. Either they ceded Hong Kong or China would be invaded with even more British plunder and opium. China was already suffering from the worst drug crisis the world has ever seen. To quote from *i* Capital dated 27 Jun 2019:

"In 2016, total global opium production was only 6,380 tonnes. In 1880 CE, there was more opium imported into a single country, China, than there was total global opium production 136 years later. If the US now is suffering an opioid crisis, the China of the past was suffering from an opium pandemic. It is a pandemic because it was very widespread, very contagious though addiction and killed millions of Chinese and tore the country apart. Over 53.0 mln opiate and opioid users relied on 6,380 tonnes of opium in 2016 CE. Imagine how many millions of Chinese were affected by the 6,500 tons of opium imported into China in 1880 CE. Tan Teng Boo has called Queen Victoria of England the "Queen of genocide" – no one, not even Hitler came anywhere near her atrocities."

Jugnauth told the ICJ that Harold Wilson had bullied Mauritian leaders into signing off on the "unlawful" sale just before independence. Queen Victoria had bullied and similarly forced China into the unlawful sale of Hong Kong.

This was the bloody origin of Hong Kong's 177 years ago as a British colony — a legacy that many, including the hooligan Hong Kong rioters, are not aware of or have forgotten or have chosen to ignore. The Hong Kong voters are no less ignorant.

The media have proclaimed victory to the pro-democracy camp in Hong Kong's Sunday district council elections, in which they won 76.8% of the 452 seats contested. Given the inherent fractious nature of democracy and the hooligan nature of the Hong Kong rioters, we think that the feel good impact from Hong Kong's latest elections would be short-lived. If what the rioters earlier claimed that their protests were leaderless is true, how would they behave in future now that they have political power, even though it is only at district council level? More importantly, with all the violent and unruly unrests and the business unfriendly results of Sunday's election, Hong Kong's long term competitiveness as a regional

hub is being rapidly eroded. For foreign investors, uncertainty over Hong Kong has simply shot up after the pro-democracy win in the latest election. Will there be more violent confrontations from now onwards or will the protests steadily peter out?

Your Fund has about 23% of its NAV in cash at the time of writing this commentary. The NAV of the *i* Capital International Value Fund can be viewed at either ww.capitaldynamics.com.au or www.funds.icapital.biz.

Best wishes.



Tan Teng Boo
Director
Capital Dynamics (Australia) Limited
ABN 53 129 846 260 AFSL 326283
28th November 2019

FUND PERFORMANCE 1

Figure 1 Total return (%)

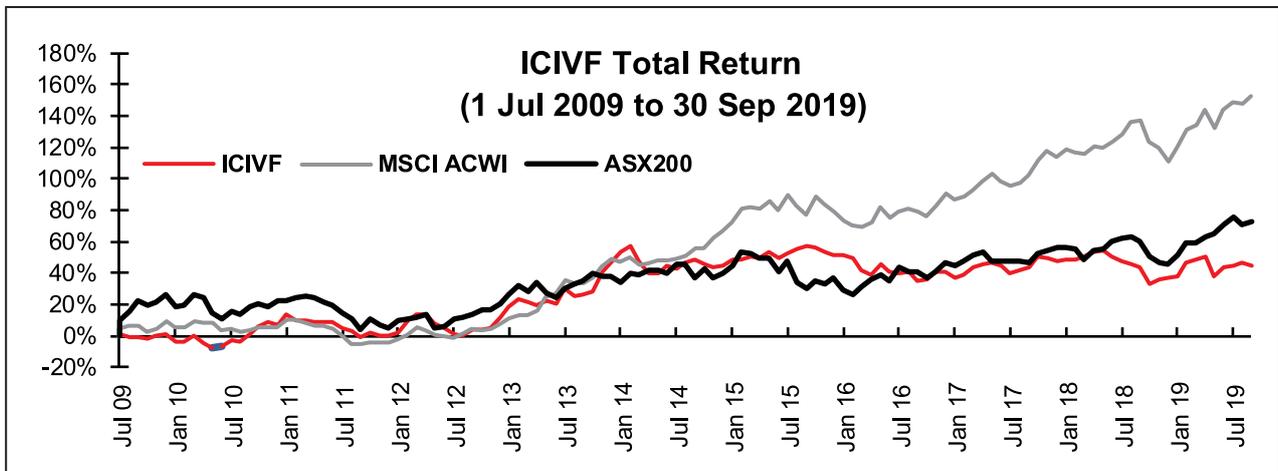


Table 1 Cumulative Total Return and Compound Return

	Cumulative Total Return (%)			Compound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICIVF (AUD)	1.15%	0.84%	45.03%	3.69%
MSCI ACWI (AUD)	6.54%	24.41%	152.15%	9.44%
ASX200 (AUD)	7.74%	17.72%	72.65%	5.47%

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 3 performing stocks (in local currency)

	Quarter ending 30 Sep 2019 (% of change)
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	6.76%
HOOR GLASS LTD	5.23%
CONCORD NEW ENERGY	2.67%

The table above presents the top 3 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 July 2019), and held till the end of the quarter (i.e. 30 September 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 Zhengzhou Yutong Bus Co Ltd Ord SHS A was bought on 21 Jul 2019 and sold on 30 Sep 2019, its performance is only measured over 21 Jul 2019 to 30 Sep 2019 and not over the full quarter. Similarly, if it was bought on 1 Jul 2019 and sold on 11 Sep 2019, its performance is measured over the period 1 Jul 2019 to 11 Sep 2019.

FUND PERFORMANCE 3

Table 3 shows the percentage gain or loss of each company held by your Fund as at 30 Sep 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 Sep 2019 (A\$)	% Change
ALIBABA GROUP HOLDING LTD	264.18	223.04	-15.57%
CHINA NEW TOWN DEV NPV	0.05	0.02	-52.32%
CONCORD NEW ENERGY	0.05	0.05	-3.18%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	0.95	1.00	5.32%
HOUR GLASS LTD	0.83	0.85	2.54%
K2 ASSET MANAGEMENT HOLDINGS	0.28	0.05	-81.49%
OVERSEAS EDUCATION LTD	0.37	0.28	-24.99%
PAN-UNITED CORPORATION LIMITED	0.36	0.31	-14.23%
PFEIFFER VACUUM TECHNOLOGY AG	237.73	196.20	-17.47%
PICO FAR EAST HLDG LTD	0.52	0.42	-19.32%
REXLOT HOLDINGS LTD	0.10	0.00	-96.88%
UOL GROUP LIMITED	7.08	7.81	10.27%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	4.54	2.70	-40.60%

Table 4 shows the percentage gain or loss arising from currency movements as at 30 Sep 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 Sep 2019 (A\$)	% Change
ALIBABA GROUP HOLDING LTD	264.18	293.68	11.17%
CHINA NEW TOWN DEV NPV	0.05	0.06	12.54%
CONCORD NEW ENERGY	0.05	0.08	57.40%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	0.95	1.07	12.74%
HOUR GLASS LTD	0.83	0.84	1.98%
K2 ASSET MANAGEMENT HOLDINGS	0.28	0.28	0.00%
OVERSEAS EDUCATION LTD	0.37	0.41	12.61%
PAN-UNITED CORPORATION LIMITED	0.36	0.39	6.69%
PFEIFFER VACUUM TECHNOLOGY AG	237.73	244.03	2.65%
PICO FAR EAST HLDG LTD	0.52	0.58	12.08%
REXLOT HOLDINGS LTD	0.10	0.13	27.05%
UOL GROUP LIMITED	7.08	7.29	2.97%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	4.54	4.86	7.09%

PORTFOLIO INFORMATION

Table 5 Percentage of assets held as cash

	Cash (%)	Equities (%)
End of Jun 19	16.65%	83.35%
End of Jul 19	10.51%	89.49%
End of Aug 19	12.76%	87.24%
End of Sep 19	13.66%	86.34%

Table 6 Top 5 holdings as at end Sep 2019

	54.86%
ALIBABA GROUP HOLDING LTD	15.29%
UOL GROUP LIMITED	11.02%
PICO FAR EAST HLDG LTD	10.65%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	9.62%
PFEIFFER VACUUM TECHNOLOGY AG	8.28%

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

	100.00%
Hong Kong	32.02%
Australia	0.02%
Singapore	31.49%
China	9.17%
Europe	9.59%
United States	17.71%

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, Sydney, Hong Kong and Shanghai. 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.

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 2019 (“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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NOTES



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

Level 1, 61 York Street, Sydney
NSW 2000, Australia
(61 2) 92622621
www.capitaldynamics.com.au
info@capitaldynamics.com.au