

*i* Capital International Value Fund ARSN 134 578 180



**Quarterly Investment Report**  
For the period 1 July 2020 to 30 September 2020



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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. 1.1272% 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>	\$1,332.37

## PERFORMANCE REVIEW

By 30 September 2020, the Fund has, from its inception in July 2009, delivered an annual compound return of 3.59%, nett 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 48.73%. Comparative benchmark figures are shown in **figure 1** and **table 3**.

During the 1 July 2020 to 30 September 2020 quarter, the Fund returned 6.51% after fees. This compares with the MSCI ACWI and ASX200 returns of 3.42% and minus 1.39%, resulting in relative superior performance of 3.09% and 7.09%. For the year ending 30 September 2020, the Fund returned 2.55% after fees which compares with the benchmark returns of 2.14% and minus 13.04% respectively.

## MARKET REVIEW AND OUTLOOK

### The new positive trend continues

There was no monthly commentary for Aug 2020, the first time since the *i* Capital International Value Fund was launched in Jul 2009. We have instead decided to combine it with the commentary for quarter ended 30th Sep 2020. The reason for doing this was simple. Globally, there were too many developments that made a monthly commentary redundant. So, this commentary will cover a period of two months and just before the US presidential election on 3rd Nov 2020.

First, a review of its monthly performance. The NAV of the *i* Capital International Value Fund in Aug 2020 was adversely affected by the AUD strengthening (**Table 1**). However, its NAV more than made up for this shortfall in Sep 2020 (**Table 2**). If we take the two months in totality, the NAV

of the *i* Capital International Value Fund moved in line with the ACWI but outperformed the ASX 200.

From Jan 2020 to Sep 2020, the NAV of *i* Capital International Value Fund fell 2.3%, outperforming the MSCI ACWI which fell 5.5% and the AX 200 which crashed 17.1%. As we have shared in the past commentaries, this consistent outperformance signifies a new positive trend for *i* Capital International Value Fund. What is our outlook then?

First, a quick review of China, the most important economy in the world. As much of Europe and the United States stare down the barrel of renewed Covid-19 lockdowns, and a potentially deadly winter to come, China is going from strength to strength. Recently, China posted positive

**Table 1**

	Currency	31-Jul-20	31-Aug-20	% Change
ICIVF	A\$	1.4567	1.4182	-2.65
MSCI ACWI	A\$	769.5665	790.8355	2.76
ASX 200	A\$	5927.8000	6060.5000	2.24

**Table 2**

	Currency	31-Aug-20	30-Sep-20	% Change
ICIVF	A\$	1.4182	1.4873	4.87
MSCI ACWI	A\$	790.8355	788.4888	-0.30
ASX 200	A\$	6060.5000	5815.9000	-4.04

economic growth for the second quarter in a row, underlining the speed with which the world's second-largest economy has recovered. China's GDP expanded 4.9% in the said quarter, compared with a year ago. This is faster than the 3.2% increase recorded in the second quarter. China's GDP grew a cumulative 0.7% through the first nine months of 2020. More importantly, China's economic recovery is broadening out. China celebrated a long busy Golden Week holiday in early Oct. During that time, hundreds of millions of people travelled around the country. As they spent money, there were no signs of any outbreak of the pandemic. This successful experiment will see China's economy growing even more strongly 2021. Even before this, the International Monetary Fund has already predicted that China's economy will grow by 8.2% in 2021, the fastest in the world.

In contrast, Europe and the United States are now facing another surge of coronavirus cases. Paris has imposed an overnight curfew. In London, people from different households are banned from meeting indoors. The United States is averaging 50 to 60,000 new cases a day and nearly every state is trending the wrong direction.

At the same time, Joe Biden's lead over Trump in the polls has caused analysts to increasingly expect a blue wave at the election on 3rd Nov. Investment strategists expect a market pullback should Biden win, given his stance on corporate taxes. Democratic candidate Biden has long advocated raising corporate taxes from 21% to 28% if he wins. At Capital Dynamics (Australia), we are more sanguine over the US stock markets. Whether Biden or Trump wins, we see the rise on the NYSE and NASDAQ continuing, albeit with intermittent corrections. Why?

Given the complete mismanagement of the Covid-19 pandemic by president Trump, whoever becomes the next US president will face an economic mess. Whether it is Joe Biden or Trump, the situation facing the US economy will be dire, just like in 2008 and 2009. Whoever is the next president will have to deal with the massive failures of small and large businesses and continuing astronomical numbers of people filing for jobless benefits. The next US president will have to deal with vigorously stimulating the US economy and not focus on tax increase or the high budget deficit.

A Biden win in Nov will actually provide an unexpected advantage for the US economy and the equity markets. Biden will bring with him the vast experience he acquired in dealing with

the last US economic crisis in 2008 and 2009 and managing its subsequent recovery. Should the Democrats win the Senate, this will even be better. So, even without Trump in power, we see the rise on the NYSE and NASDAQ continuing, albeit with intermittent corrections.

As at the time of writing this Commentary, your Fund remains fully invested and has about 4.5% of its NAV in cash. The *i* Capital International Value Fund of 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).

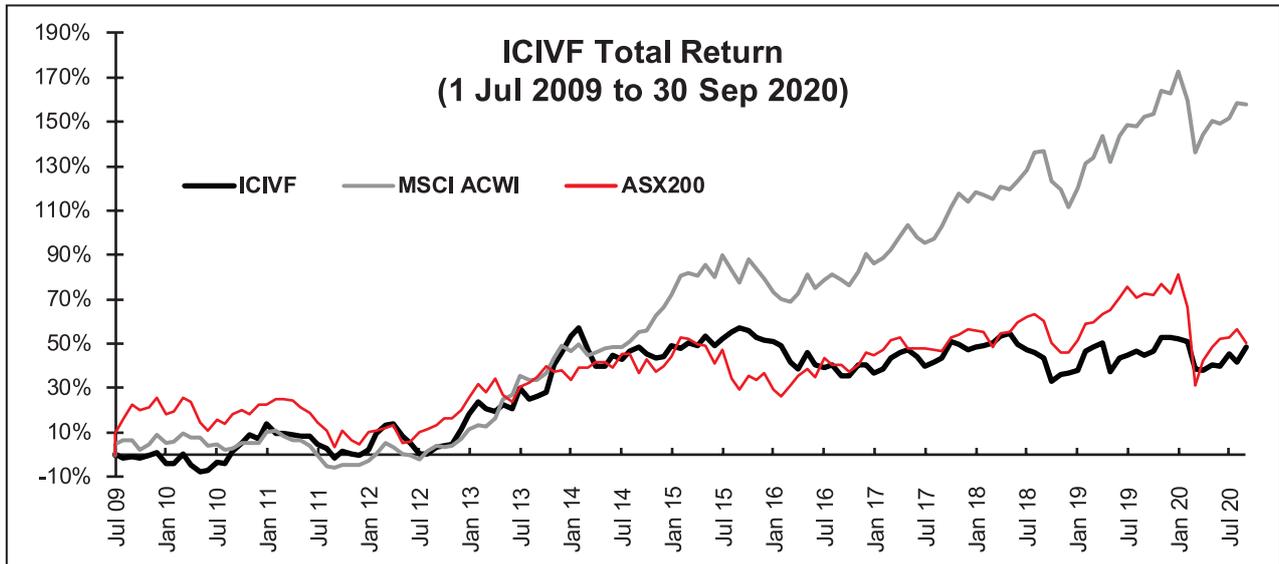
Best wishes.



Tan Teng Boo  
Director  
Capital Dynamics (Australia) Limited  
ABN 53 129 846 260 AFSL 326283  
21st October 2020

**FUND PERFORMANCE 1**

**Figure 1** Total return (%)



**Table 3** Cumulative Total Return and Compound Return

	Cumulative Total Return (%)			Compound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICIVF (AUD)	2.55%	3.73%	48.73%	3.59%
MSCI ACWI (AUD)	2.14%	8.82%	157.55%	8.77%
ASX200 (AUD)	-13.04%	-6.31%	50.13%	3.68%

**FUND PERFORMANCE 2**

**Table 4** Top 5 performing stocks (in local currency)

	Quarter ending 30 Sep 2020 (% of change)
Alibaba Group Holding Ltd	36.29%
Zhengzhou Yutong Bus Co Ltd Ord Shs A	28.85%
China New Town Dev Npv	8.00%
Concord New Energy	7.69%
Pfeiffer Vacuum Technology Ag	7.66%

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 July 2020), and held till the end of the quarter (i.e. 30 September 2020). 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 Alibaba Group Holding Ltd was bought on 21 July 2020 and sold on 30 September 2020, its performance is only measured over 21 July 2020 to 30 September 2020 and not over the full quarter. Similarly, if it was bought on 1 July 2020 and sold on 11 September 2020, its performance is measured over the period 1 July 2020 to 11 September 2020.

## FUND PERFORMANCE 3

**Table 5** shows the percentage gain or loss of each company held by your Fund as at 30 September 2020. This table assumes no impact from currency movements or constant exchange rates.

**Table 5** Percentage gain or loss arising from stock price changes

Security	Average Cost (A\$)	Price Sep 2020 (A\$)	% Change
Alibaba Group Holding Ltd	264.18	392.09	48.42%
China New Town Dev Npv	0.05	0.02	-54.67%
Concord New Energy	0.05	0.04	-11.98%
Guangdong Provincial Expressway Development Co Ltd	0.95	0.69	-27.30%
Hour Glass Ltd	0.83	0.70	-14.66%
IPG Photonics Corp	210.07	248.82	18.45%
K2 Asset Management Holdings	0.28	0.05	-81.85%
Overseas Education Ltd	0.37	0.27	-27.58%
Pan-United Corporation Limited	0.36	0.30	-18.38%
Pfeiffer Vacuum Technology Ag	237.73	278.71	17.24%
Pico Far East Hldg Ltd	0.52	0.16	-70.07%
Qualys Inc	140.30	146.75	4.60%
Rexlot Holdings Ltd	0.10	0.00	-96.88%
Zhengzhou Yutong Bus Co Ltd Ord Shs A	4.54	3.05	-32.82%

**Table 6** shows the percentage gain or loss arising from currency movements as at 30 September 2020. This table assumes no change in stock prices or constant stock prices.

**Table 6** Percentage gain or loss arising from currency movements

Security	Average Cost (A\$)	Price Sep 2020 (A\$)	% Change
Alibaba Group Holding Ltd	264.18	276.35	4.61%
China New Town Dev Npv	0.05	0.05	7.12%
Concord New Energy	0.05	0.07	49.82%
Guangdong Provincial Expressway Development Co Ltd	0.95	1.02	7.31%
Hour Glass Ltd	0.83	0.80	-2.79%
IPG Photonics Corp	210.07	200.21	-4.70%
K2 Asset Management Holdings	0.28	0.28	0.00%
Overseas Education Ltd	0.37	0.40	7.34%
Pan-United Corporation Limited	0.36	0.37	1.70%
Pfeiffer Vacuum Technology Ag	237.73	247.00	3.90%
Pico Far East Hldg Ltd	0.52	0.55	6.68%
Qualys Inc	140.30	130.73	-6.82%
Rexlot Holdings Ltd	0.10	0.12	20.93%
Zhengzhou Yutong Bus Co Ltd Ord Shs A	4.54	4.79	5.62%

## PORTFOLIO INFORMATION

**Table 7** Percentage of assets held as cash

	Cash (%)	Equities (%)
End of Jun 20	5.40%	94.60%
End of Jul 20	5.05%	94.95%
End of Aug 20	5.65%	94.35%
End of Sep 20	7.56%	92.44%

**Table 8** Top 5 holdings as at end September 2020

	<b>65.43%</b>
Alibaba Group Holding Ltd	25.02%
IPG Photonics Corp	13.66%
Pfeiffer Vacuum Technology Ag	11.77%
Zhengzhou Yutong Bus Co Ltd Ord Shs A	8.73%
Guangdong Provincial Expressway Development Co Ltd	6.25%

**Table 9** Portfolio breakdown for equities by region as at end September 2020 (in AUD)

	<b>100.00%</b>
Hong Kong	17.67%
Australia	0.02%
Singapore	12.78%
China	9.44%
Europe	12.74%
United States	47.35%

## 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.

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## NOTES





**iCapital**<sup>®</sup>  
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INDEPENDENCE \* INTELLIGENCE \* INTEGRITY

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