

i Capital Global Fund



Quarterly Investment Report
For the period 1 May 2019 to 31 July 2019

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ICGF AT A GLANCE

Investment Objective

The Fund's investment objective is to focus on long-term capital appreciation.

Who should invest?

Eligible Investors ^[1] seeking a value investing style and exposure to the global stock markets, who are able to adopt a long-term outlook and endure performance fluctuations

Buy / Sell Spread

Nil

Management Fee

1.5% p.a.

Performance Fee

Only chargeable if the following three criteria are met in the same period:

1. NAV exceeds 6% annual rate of return *and*
2. NAV exceeds 6% annual compound rate of return *and*
3. Both annual and annual compound returns must still be above 6% after the performance fee is charged

Inception Date

6 July 2007

Minimum Investment (USD)

\$200,000 minimum

Additional Investment (USD)

\$10,000 minimum

Directors of the Fund

Che Hui Shan
Kok Tzu Wei

**Investment
Manager**

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Web site: www.capitaldynamics.com.sg

**Registered Office of the
Fund**

Vistra (Cayman) Limited
P.O Box 31119
Grand Pavilion Commercial Centre
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

Administrator

Apex Fund Services (Singapore) Pte. Ltd

Custodian of the Fund

Deutsche Bank AG, Singapore Branch

**Legal Advisers to
Cayman Law**

Walkers

**Legal Advisers to
Singapore Law**

Rajah & Tann

Auditors of the Fund

Ernst & Young, Cayman Islands

PERFORMANCE REVIEW

This is the first quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2020.

In the three months ended 31 Jul 2019, the net asset value (NAV) of the *i* Capital Global Fund decreased 6.33% or US\$64.972 from US\$1,025.69 to US\$960.718 per share. In the same period, the MSCI All Country World Index (MSCI ACWI) (2) decreased 0.09%.

Between 6 July 2007 and 31 Jul 2019, the NAV of the *i* Capital Global Fund lost 3.93% or US\$39.282 from US\$1,000.000 to US\$960.718 per share. In the same period, the MSCI ACWI increased 28.53%.

Figure 1 shows the NAV of the *i* Capital Global Fund against the performance of the MSCI ACWI since its launch which was just before the financial markets and economies were seriously affected by the 2008 US-led financial crisis. Since then, your Fund has consistently outperformed the MSCI ACWI.

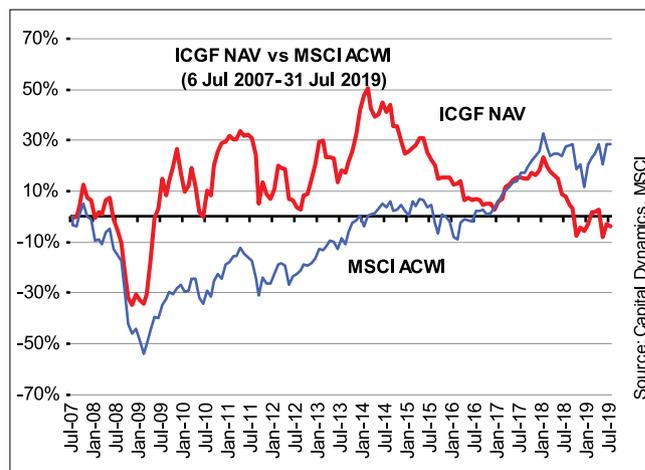
The portfolio of your Fund is spread across 14 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 11.

MARKET REVIEW AND OUTLOOK

A “strange” Thing

A “strange” thing happened in 2019. The US manufacturing sector performed worse than China’s. From Aug 2019, the US manufacturing sector PMI entered a contractionary zone and by Dec 2019, it had fallen deeper into this territory (figure 1). At

Figure 1 ICGF NAV vs MSCI ACWI (6 JUL 2007 - 31 JUL 2019)

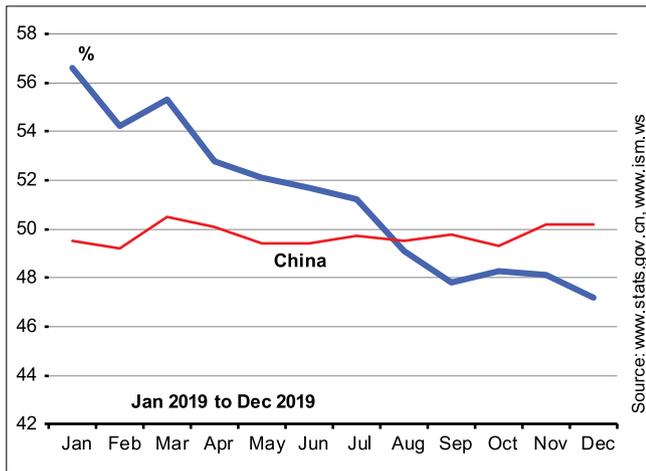


The top 5 investments as at 31 Jul 2019 were Alibaba Group Holding Ltd, Pico Far East Holdings, Zhengzhou Yutong Bus Co Ltd, Pfeiffer Vacuum Technology and Guangdong Provincial Expressway Development Co Ltd. They made up 55.3% of the total assets. At the end of Jul 2019, your Fund had 14.74% of its NAV in cash.

the same time, China’s manufacturing sector PMI has been recovering and moved into expansionary territory in the last few months. When Trump unilaterally launched a trade war against China in 2018, China, especially her massive manufacturing sector, was supposed to be suffering. By the end of 2019, we were seeing the opposite results. China’s

Dec manufacturing PMI was 50.2%. For the United States, her Dec's manufacturing PMI registered a scary 47.2%, a plunge of 0.9 percentage points from Nov's 48.1%. This is the lowest reading since Jun 2009 when it registered 46.3%.

Figure 1 Manufacturing PMI in 2019

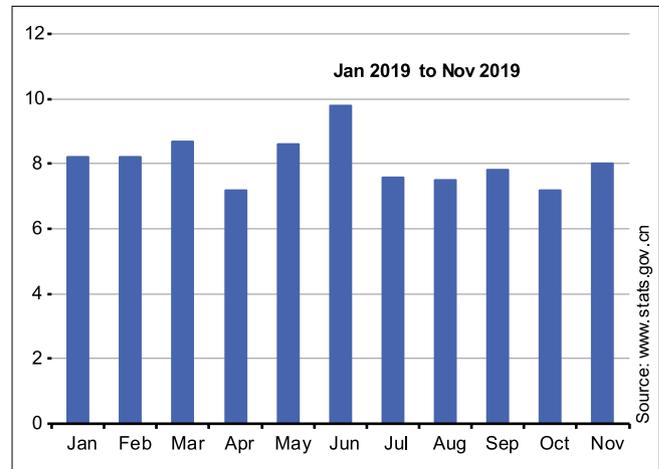


The Peter Navarro inspired anti-China tariffs have also failed to damage China's export juggernaut. In Nov 2019, China's exports rose 1.3%, y-o-y, to RMB1.57 trillion. In the first eleven months of 2019, exports actually rose by 4.5% to RMB15.56 trillion. While China-US bilateral trade fell by 11.1%, y-o-y, in the Jan-Nov 2019 period, China's trade with the EU, ASEAN, and the countries along the Belt and Road Initiative's routes rose by 7.7%, 12.7%, and 9.9% respectively. The United States has forgotten that her economy is no longer that important anymore, or she is just plain arrogant. China has taken over the role of global economic engine many years ago. As long as China's economy is still expanding robustly, her trading partners will still benefit. Even though China's real GDP growth has slowed to the 6% plus

rate, her nominal GDP is still growing at a strong 8 to 9% rate. At this rate, China's economy is adding more than US\$1.3 trillion worth of demand every year, or the equivalent of an Australia. Peter Navarro must have been a lousy economics professor.

Most importantly, despite the slowdown at the headline GDP level, China's retail sales remain very healthy. In Nov 2019, it rose 8.0% from a year ago, up 0.8 percentage points from the growth rate in Oct and retail sales have been strong throughout 2019 (figure 2). Excluding car sales, retail sales rose by 9.1%. In the first 11 months of 2019, retail sales rose 8.0%, y-o-y. Why are retail sales important? As we have written elsewhere, "In 1999, retail sales in the US were almost 8 times that of China's. With China's retail sales growing at a rate 3 - 4 times faster than US retail sales, China will soon have the largest retail sales in the world." The performance of China's retail sales can be seen from 2 levels. First, from a shorter-term standpoint. The healthy growth rate

Figure 2 China's Retail Sales in 2019

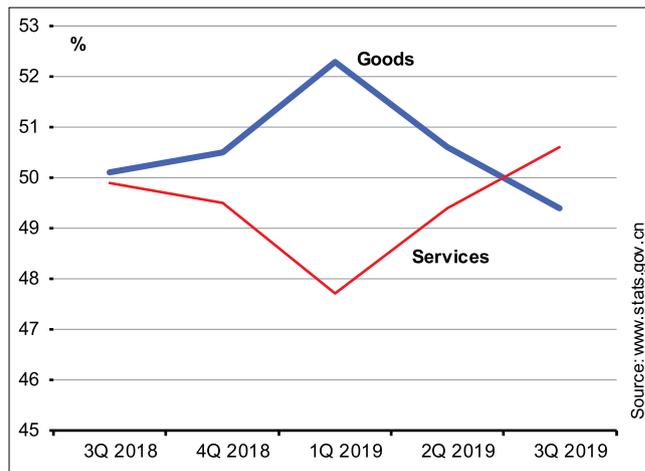


tells us that China is not heading for a cyclical hard landing. Even though external demand growth may have weakened, domestic sales are spurring China's growth. A stronger China stock market in 2020 would be a bonus boost to her retail sales. With her exports and manufacturing sector edging up, China's GDP growth over the next 18 months or so is perking up. Secondly, from a longer-term perspective, China is relying more and more on her own steam. This is good, it is good for China, and it is good for the global economy. Again, Peter Navarro must have been a lousy economics professor for not seeing such a healthy development. Trump should sack him.

In addition, China's consumption pattern has undergone tremendous changes over the years following her rising household income. Demand for education, healthcare, travel, leisure, financial advice, and other services have increased substantially. The monthly retail sales numbers do not include consumption on services; rather, they measure mainly the sales of goods. Given the rising share of services in Chinese household consumption expenditure, the share of retail sales in China's GDP and final consumption has fallen in recent years. Therefore, moderation in retail sales growth does not necessarily mean a slowdown in private consumption. Consumption on services has accounted for half of overall household final consumption (**figure 3**). Moreover, the size of China's retail sales has grown so much that they are not much different from that of the US. In the first eleven months of 2019, US retail sales grew by 3.4%, but China's expanded by 8.0%.

Your Fund has about 5% of its NAV in cash at the time of writing this commentary. The NAV of the *i* Capital Global Fund can be viewed at either www.capitaldynamics.com.sg or www.funds.icapital.biz.

Figure 3 % Share of Household Consumption Expenditure



Best wishes.

陳鼎武

Tan Teng Boo
 Director
 Capital Dynamics (S) Private Limited
 11th January 2020

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31 July 2019

For the financial
period from
1 May 2019 to
31 July 2019
US\$

Investment Income

Dividend income (net of withholding tax of US\$ 31,230) 461,249

Total investment income 461,249

Expenses

Management fees 69,020

Administration and custodian fees 22,837

Professional fees 5,491

Other expenses 8,209

Total expenses 105,557

Net investment gain 355,692

Gain/(loss) on investment and foreign currency transactions

Net realised loss on securities transactions 1,077

Net change in unrealised gain on securities transactions (1,598,128)

Net loss on foreign currency transactions (20,994)

Net loss on investment and foreign currency transactions (1,618,045)

Net change in net assets attributable to holders of participating shares resulting from operations (1,262,353)

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 July 2019

	31 July 2019 US\$
Assets	
Cash and cash equivalents	2,690,168
Investments in securities, at fair value (cost US\$ 21,971,972)	15,603,815
Dividends receivable	13,220
Other receivables	6,529
Total assets	<u>18,313,732</u>
Liabilities	
Management fee payable	22,837
Other payables	43,794
Total liabilities	<u>66,631</u>
Net assets attributable to the shareholders of the Fund	<u>18,247,101</u>
Net assets attributable to:	
Participating shares	18,247,091
Management shares	10
Net assets attributable to the shareholders of the Fund	<u>18,247,101</u>
Net asset value ("NAV") per participating share	
Based on 18,933 participating shares outstanding (April 2019: 19,528)	<u>960.73</u>

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO HOLDERS OF PARTICIPATING SHARES (UNAUDITED)**

For the financial period ended 31 July 2019

**For the financial
period from
1 May 2019 to
31 July 2019
US\$**

Net change in net assets attributable to holders of participating shares resulting from operations	(1,262,353)
<hr/>	
Capital transactions	
Redemption of participating shares during the financial period	(519,994)
Net change in net assets attributable to holders of participating shares resulting from capital transactions	(519,994)
<hr/>	
Net change in net assets attributable to holders of participating shares for the period	(1,782,347)
Net assets attributable to holders of participating shares at beginning of period	20,029,438
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Net assets attributable to holders of participating shares at end of period	18,247,091
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STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31 July 2019

For the financial
period from 1 May
2019 to 31 July 2019
US\$

Cash flows from operating activities

Net change in net assets attributable to holders of participating shares resulting from operations (1,262,353)

Adjustment to reconcile net change in net assets attributable to holders of participating shares resulting from operations to net cash used in operating activities :

Changes in operating assets and liabilities

Investments in securities, at fair value	511,101
Dividends receivable	(13,220)
Other receivables	(4,221)
Management fee payable	(75,677)
Other payables	5,754

Net cash flows used in operating activities (838,616)

Cash flows from financing activities

Redemption of participating shares (519,994)

Net cash flows used in financing activities (519,994)

Net change in cash and cash equivalents for the period (1,358,610)

Cash and cash equivalents at the beginning of the period 4,048,778

Cash and cash equivalents at the end of the period 2,690,168

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31 July 2019

	Holdings as at 31-Jul-2019 No. of Shares	Fair Value as at 31-Jul-2019 US\$	Percentage of total net assets attributable to shareholders at 31-Jul-2019 %
BUILDING PRODUCTS			
PANARIAGROUP INDUSTRIE CERAM	146,503	210,345	1.15
CAPITAL MARKETS			
K2 ASSET MANAGEMENT HOLDINGS	249,834	8,258	0.05
DIVERSIFIED CONSUMER SERVICES			
OVERSEAS EDUCATION LTD	5,791,800	1,226,942	6.72
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	144,544	0.79
INTERNET & DIRECT MARKETING RETAIL			
ALIBABA GROUP HOLDING	18,000	3,115,980	17.08
MACHINERY			
PFEIFFER VACUUM TECHNOLOGY	12,000	1,681,520	9.22
ZHENGZHOU YUTONG BUS CO -A	940,000	1,774,526	9.72
MEDIA			
PICO FAR EAST HOLDINGS LTD	6,231,000	1,926,477	10.56
REAL ESTATE MANAGEMENT & DEVELOPMENT			
CHINA NEW TOWN DEVELOPMENT	15,222,650	348,124	1.91
UOL GROUP LTD	290,000	1,557,033	8.53
SPECIALTY RETAIL			
HOOR GLASS LTD/THE	1,503,200	927,867	5.09
TRADING COMPANIES & DISTRIBUTORS			
PAN-UNITED CORP LTD	3,397,800	819,076	4.49
TRANSPORTATION INFRASTRUCTURE			
GUANGDONG PROVINCIAL EXPR-B	1,999,980	1,594,414	8.74
XINGHUA PORT HOLDINGS LTD	2,124,500	268,709	1.47
		15,603,815	85.51

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to Jul 2019, the *i* Capital Global Fund performance is -0.33% per annum, as opposed to 2.10% per annum for the MSCI ACWI. From 1 May 2007 to 31 Jul 2019, funds under CDPL's management achieved a return of -0.08% per annum, underperforming the MSCI ACWI which in that period recorded 3.53% per annum.

The Fund's performance for the *i* Capital Global Fund as at 31 Jul 2019 is shown below:

Performance as at 31 Jul 2019 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	-3.93	28.53
Annualised Return	-0.33	2.10

* Cumulative Returns are measured since inception.
(Note: Information is current as at 31 Jul 2019.)

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 services 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\$200m, 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.

Capital Dynamics (S) Private Limited (CDPL), a global fund manager based in Singapore, is the investment manager for the *i* Capital Global Fund.

CDPL commenced operations in June 2006 and is part of the established Capital Dynamics group, which provides fund management and investment advisory services to institutional and retail clients. As a global fund manager, CDPL manages the *i* Capital Global Fund, an open-end fund and discretionary accounts.

Capital Dynamics (Australia) Limited (CDAL) obtained its Australian Financial Services License (ASFL 326283) from the Australian Securities and Investments Commission in December 2008. This allows CDAL to provide funds management and financial advisory services to retail and wholesale investors.

Based in Sydney, CDAL was set up with the aim of providing investors with the proven investment success of the Capital Dynamics group through the launch of the *i* Capital International Value Fund (ARSN 134578180) and individually managed accounts.

Launched in July 2009, the *i* Capital International Value Fund invests in global equities and is managed with a focus on long term capital appreciation while providing distributions.

Capital Dynamics Asset Management Sdn Bhd (CDAM), based in Kuala Lumpur, manages *icapital.biz* Berhad, a closed-end fund listed on Bursa Malaysia and discretionary accounts.

CDAM has been consistently reporting positive

OTHER INFORMATION

returns since its inception. Between April 1998 and Jul 2019, CDAM achieved a net compound return of 12.33% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year except in year 2005, 2009, 2012, 2013 and 2018 which gained 4.66% per annum in the same period.

Capital Dynamics Asset Management (HK) Private Limited holds a Type 9 (Asset Management) licence issued by the Securities and Futures Commission Hong Kong (SFC). Its principal activity is to provide asset management service to corporations, institutions and individual investors.

Besides providing discretionary investment management service for Professional Investors, we manage the *i* Capital China Fund, a retail unit trust fund authorised by the SFC.

Launched in January 2018, the *i* Capital China Fund aims to benefit from China's spectacular past and the magnificent boom that lay ahead. By primarily investing in equity securities issued by companies listed in Hong Kong, Shanghai and/or Shenzhen, the *i* Capital China Fund targets at achieving attractive long-term capital appreciation.

Capital Dynamics China started off as a representative office in 2013. We quickly set up our Wholly Foreign Owned Enterprise (WFOE) and purchased an office in Shanghai, steadily growing our business in China and familiarising ourselves with the complexities of the country's economic, cultural, political and regulatory landscapes. Capital Dynamics China also conducts an annual China Immersion Programme. Please visit <http://www.cip-cn.com/> for more

information. The 2020 China Immersion Programme will be held in May 2020.

Our Philosophies

Independence, intelligence and integrity drives 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-term 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.

GLOSSARY

[1] Eligible Investors

A person to whom the issue or transfer of, or where the holding of participating Shares:

- (i) would not constitute a breach of the laws of any jurisdiction; or
- (ii) would not be contrary to the regulations of any government authority; or
- (iii) would not give rise to circumstances (whether taken alone or conjunctively with other persons or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Fund and/or its Shareholders as a whole incurring any liability for taxation or suffering any other regulatory, pecuniary, legal or material administrative disadvantage that the Fund and/or its Shareholders might not otherwise have suffered or incurred; or
- (iv) would not give rise to circumstances which may cause the Fund to breach the terms of any license, registration or approval procured by it in relation to its investments; and
- (v) would satisfy the requirements set out in this section titled “Eligible Investors”.

Eligible Investors must also satisfy the requirements for an “accredited investor” or an “institutional investor” under the definition of the Securities and Futures Act.

[2] MSCI ACWI

A free float-adjusted market capitalisation weighted index which consists of 46 country indices, comprising 23 developed markets and 23 emerging market countries. This includes the stock markets of China, which ICGF cannot invest in at this time.

NOTES

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

Disclaimer: The information in this Quarterly Investment Report is not intended to provide advice and is being provided strictly for informational purposes only and does not constitute an advertisement. 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 CDPL 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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