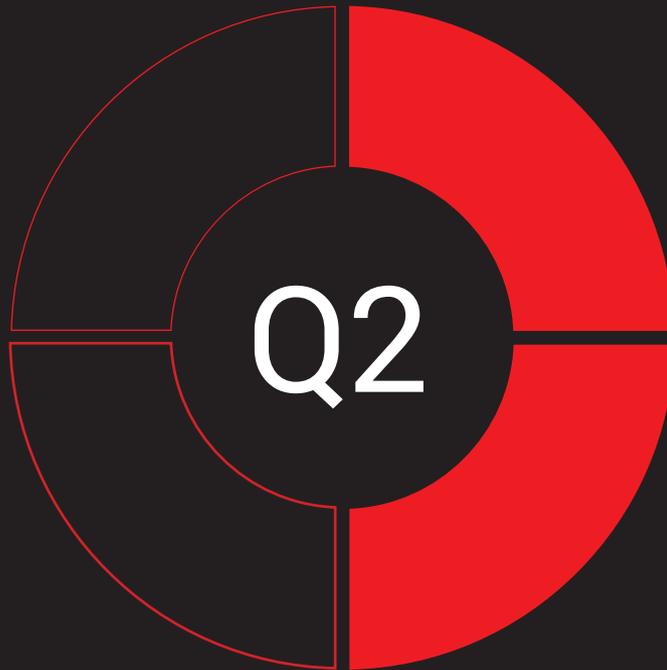


# *i* Capital Global Fund



**Quarterly Investment Report**  
For the period 1 August 2019 to 31 October 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 <sup>[1]</sup> 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  
Ng Kian Teck

**Investment  
Manager**

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Web site: [www.capitaldynamics.com.sg](http://www.capitaldynamics.com.sg)

**Registered Office of the  
Fund**

Vistra (Cayman) Limited  
P.O Box 31119  
Grand Pavilion Commercial Centre  
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Cayman Islands

**Administrator**

Standard Chartered Bank (Singapore) Limited

**Custodian of the Fund**

Standard Chartered Bank (Singapore) Limited

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

In the three months ended 31 Oct 2019, the net asset value (NAV) of the *i* Capital Global Fund decreased 1.98% or US\$19.053 from US\$979.771 to US\$960.718 per share. In the same period, the MSCI All Country World Index (MSCI ACWI) (2) increased 1.92%.

Between 6 July 2007 and 31 Oct 2019, the NAV of the *i* Capital Global Fund lost 2.02% or US\$20.229 from US\$1,000.000 to US\$979.771 per share. In the same period, the MSCI ACWI increased 31.00%.

**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.

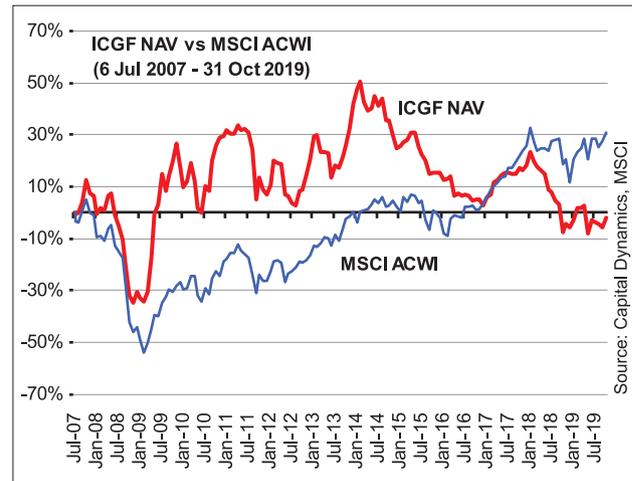
The portfolio of your Fund is spread across 14 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 11.

## MARKET REVIEW AND OUTLOOK

### The Fed Fights The Virus

As of 3 Mar 2020 update from the World Health Organisation (WHO), Covid-19 has spread to 74 countries with 91,783 confirmed cases and 3,123 deaths (it would have further increased by the time you read this Commentary). The countries currently posing great concern are Iran, South Korea, Japan

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



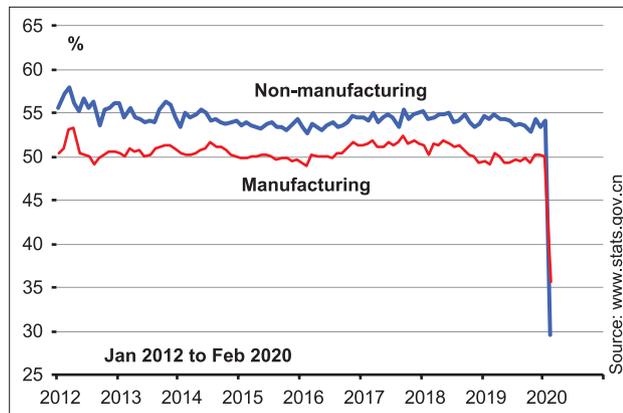
The top 5 investments as at 31 Oct 2019 were Alibaba Group Holding Ltd, Pico Far East Holdings, Zhengzhou Yutong Bus Co Ltd, Pfeiffer Vacuum Technology and Guangdong Provincial Expressway Development Co Ltd. They made up 58.70% of the total assets. At the end of Oct 2019, your Fund had 18.78% of its NAV in cash.

and Italy due to their fast rising numbers. The WHO has raised the coronavirus threat assessment to the highest level. On the other hand, the situation in China is improving fast. The number of new cases reported outside of China has exceeded the number of new cases reported from China. Wuhan, the epicentre of the outbreak, has closed its first makeshift hospital after a sharp decline in new cases in Hubei province.

However, the economic impact has been substantial. The Purchasing Managers' Index for both the manufacturing and non-manufacturing sectors fell off the cliff in Feb 2020 (figure 2). China's economy is expected to start recovering in the 2nd quarter of 2020.

The US reported its first death on 29 Feb and the number of deaths has increased along with the number of confirmed cases which has already passed 100. Initially, there were Hong Kong and Singapore which saw panic buying over Covid-19. Since then, the panic buying scene has spread to several other countries. Last weekend, US shoppers thronged supermarkets and big-box stores to stock up on face masks, hand

**Figure 2 China' Purchasing Managers' Index**



sanitisers, non-perishable foods and toilet paper.

Disruptions to normal working life around the world due to Covid-19 can be seen. 14-day quarantine orders are being issued to those who may have been exposed to the infection. Italy has locked down a quarter of her population. In the US, the first federal facility to be closed for 14 days is the Department of Homeland

Security in Seattle after an employee began to exhibit symptoms of Covid-19 after visiting the Kirkland Life Care Facility which has become the source of an outbreak in Washington State. The states of California and New York have declared state of emergency. Many US manufacturers are concerned about the supply chain disruption from Covid-19.

Just earlier in Feb, the Federal Reserve was taking a wait-and-see approach to the risks from the Covid-19 outbreak. Federal Reserve chairman Jerome Powell mentioned that they needed to consider the effects of the coronavirus on the US economy, whether the effects will be persistent or material. Then on 3 Mar 2020, the Federal Reserve sprang a surprise move and lowered the federal funds target range by a massive 50 basis points to a range of 1.00% to 1.25%. However, Trump was not satisfied with the 50 basis points cut and called for further cuts. Just before the rate cut, Trump had also chided the Federal Reserve for being slow to act. He tweeted "Australia's Central Bank cut interests rates and stated it will most likely further ease in order to make up for China's Coronavirus situation and slowdown. They reduced to 0.5%, a record low. Other countries are doing the same thing, if not more so. Our Federal Reserve has us..." Since the 2008 US-led global financial crisis, the Federal Reserve has not made rate changes outside of scheduled FOMC meetings. The rate cut reflects the uncertainty that the Covid-19 outbreak is raising the risk of a US recession due to the global economy slowing down. Stock markets fell sharply in response to the rate cut.

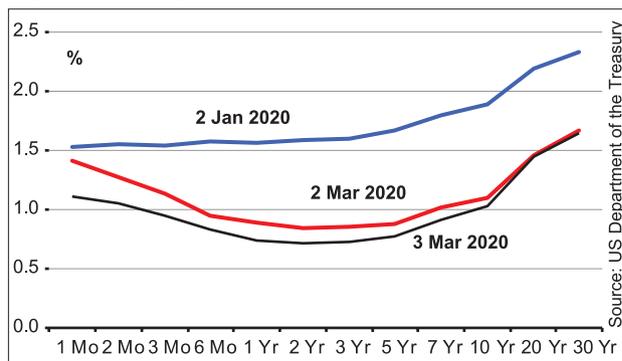
Investors have also turned from equities to less-risky bonds, causing Treasury yield rates to fall. Treasury yield rates of all maturities have fallen across the board since the beginning of the year and are in a slightly inverted shape instead of a normal upward curve. However, after the rate cut, the 3-month treasury

yield at 0.95% went below the 10-year treasury yield at 1.02%. On 2 Mar, the 3-month treasury yield at 1.13% was slightly above the 10-year treasury yield at 1.10% - see **figure 3**. Regardless, the yield curve is again producing warning signs of a recession. However, we need to interpret the yield curve with great caution as its inversion is due to psychological factors.

One thing the Federal Reserve does not need to worry about is inflation, as inflation remains below 2%. Sustaining long durations of low interest rates is unlikely to result in high inflation. The bigger issue for the Federal Reserve is that it has only 1% leeway left before the federal funds target range hit 0% to 0.25% which are the lowest rates last seen during the 2008 financial crisis.

As of now, the Federal Reserve's move will also need to depend on how effectively the public health authorities handle the Covid-19 outbreak. Fear and panic among people are scarier than Covid-19 itself. Consumer confidence and consumer spending could be depressed. The next recession could end up being a self-fulfilling prophecy. The Covid-19 outbreak first started in Wuhan in early Jan 2020. It is now early Mar and the United States is still not fully prepared for the Covid-19 outbreak to escalate in the world's largest economy. The Trump administration is not known for efficiency and excellent planning. Even though the number of Covid-19 cases has been rising in many countries, the US government is more concerned with quarantining the NYSE and NASDAQ than protecting the health and safety of her people. Trump is more concerned with boosting the US stock markets with rate cuts than making sure that his people have enough relevant medical supplies, medical professionals and hospital beds to deal with an escalation in infected people.

**Figure 3 Treasury Yield Curve Rates**



Notwithstanding the seriousness of the Covid-19 outbreak, it is important not to panic. The outbreak at its epi-centre has already peaked. As a long-term fund, we need to stay the course. The outbreak came without a warning. The recovery is likely to be the same. As at the time of writing this Commentary, your Fund has about 5% of its NAV in cash. The NAV of the *i* Capital Global Fund can be viewed at either [www.capitaldynamics.com.sg](http://www.capitaldynamics.com.sg) or [www.funds.icapital.biz](http://www.funds.icapital.biz).

Best wishes.

陳鼎武

Tan Teng Boo  
 Director  
 Capital Dynamics (S) Private Limited  
 6<sup>th</sup> March 2020

## STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31 October 2019

For the financial  
period from 1 August  
2019 to 31 October  
2019  
US\$

### Investment Income

Dividend income 44,897

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Total investment income 44,897

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### Expenses

Management fees 67,623

Administrative & custodian fees 38,155

Professional fees 5,446

Other expenses 14,017

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Total expenses 125,241

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Net investment loss (80,344)

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### Gain/(loss) on investment and foreign currency transactions

Net realised gain on securities transactions 68,862

Net change in unrealised gain on securities transactions 325,178

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Net gain on foreign currency transactions 24,581

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Net gain on investment and foreign currency transactions 418,621

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**Net change in net assets attributable to holders of participating shares  
resulting from operations** 338,277

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## STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 October 2019

	31 October 2019 US\$
<b>Assets</b>	
Cash and cash equivalents	3,375,530
Investments in securities, at fair value (cost US\$ 21,396,493)	15,355,103
Other receivables	1,115
Total assets	<u>18,731,748</u>
<b>Liabilities</b>	
Redemption Payable	188,276
Management fee payable	90,461
Other payables	480,903
Total liabilities	<u>759,640</u>
<b>Net assets attributable to the shareholders of the Fund</b>	<u><u>17,972,108</u></u>
Net assets attributable to:	
Participating shares	17,972,098
Management shares	10
<b>Net assets attributable to the shareholders of the Fund</b>	<u><u>17,972,108</u></u>
<b>Net asset value ("NAV") per participating share</b>	
Based on 18,343 participating shares outstanding (July 2019: 18,993)	<u><u>979.78</u></u>

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

For the financial period ended 31 October 2019

For the financial  
period from 1  
August 2019 to  
31 October 2019  
US\$

<b>Net change in net assets attributable to holders of participating shares resulting from operations</b>	338,277
<hr/>	
<b>Capital transactions</b>	
Redemption of participating shares during the financial period	(613,270)
Net change in net assets attributable to holders of participating shares resulting from capital transactions	(613,270)
<hr/>	
Net change in net assets attributable to holders of participating shares for the period	(274,993)
Net assets attributable to holders of participating shares at beginning of period	18,247,091
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<b>Net assets attributable to holders of participating shares at end of period</b>	<b>17,972,098</b>
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## STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31 October 2019

For the financial period  
from 1 August 2019 to  
31 October 2019  
US\$

### Cash flows from operating activities

Net change in net assets attributable to holders of participating shares resulting from operations 338,277

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	248,712
Dividends receivable	13,220
Other receivables	5,414
Management fee payable	67,624
Other payables	437,109
Redemption payable	188,276

**Net cash flows used in operating activities** 1,298,632

### Cash flows from financing activities

Redemption of participating shares (613,270)

**Net cash flows used in financing activities** (613,270)

**Net change in cash and cash equivalents for the period** 685,362

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

**Cash and cash equivalents at the end of the period** 3,375,530

## SCHEDULE OF SECURITIES (UNAUDITED)

As at 31 October 2019

	Holdings as at 31-Oct-2019 No. of Shares	Fair Value as at 31-Oct-2019 US\$	Percentage of total net assets attributable to shareholders at 31-Oct-2019 %
<b>BUILDING PRODUCTS</b>			
PANARIAGROUP INDUSTRIE CERAM	146,503	248,765	1.38
<b>CAPITAL MARKETS</b>			
K2 ASSET MANAGEMENT HOLDINGS	249,834	8,778	0.05
<b>DIVERSIFIED CONSUMER SERVICES</b>			
OVERSEAS EDUCATION LTD	5,791,800	1,212,876	6.75
<b>HOTELS, RESTAURANTS &amp; LEISURE</b>			
REXLOT HOLDINGS LTD	53,875,000	144,351	0.80
<b>INTERNET &amp; DIRECT MARKETING RETAIL</b>			
ALIBABA GROUP HOLDING	18,000	3,180,060	17.69
<b>MACHINERY</b>			
PFEIFFER VACUUM TECHNOLOGY	12,000	1,874,293	10.43
ZHENGZHOU YUTONG BUS CO -A	940,000	1,910,623	10.63
<b>MEDIA</b>			
PICO FAR EAST HOLDINGS LTD	6,231,000	2,122,660	11.81
<b>REAL ESTATE MANAGEMENT &amp; DEVELOPMENT</b>			
CHINA NEW TOWN DEVELOPMENT	15,222,650	306,873	1.71
UOL GROUP LTD	175,400	1,005,268	5.59
<b>SPECIALTY RETAIL</b>			
HOOR GLASS LTD/THE	1,503,200	889,141	4.95
<b>TRADING COMPANIES &amp; DISTRIBUTORS</b>			
PAN-UNITED CORP LTD	3,397,800	811,407	4.51
<b>TRANSPORTATION INFRASTRUCTURE</b>			
GUANGDONG PROVINCIAL EXPR-B	1,999,980	1,469,804	8.18
XINGHUA PORT HOLDINGS LTD	1,258,500	170,204	0.95
		<b>15,355,103</b>	<b>85.43</b>

## OTHER INFORMATION

### About *i* Capital Global Fund

From its inception in July 2007 to Oct 2019, the *i* Capital Global Fund performance is -0.17% per annum, as opposed to 2.21% per annum for the MSCI ACWI. From 1 May 2007 to 31 Oct 2019, funds under CDPL's management achieved a return of 0.70% per annum, underperforming the MSCI ACWI which in that period recorded 2.91% per annum.

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

Performance as at 31 Oct 2019 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	-2.02	31.00
Annualised Return	-0.17	2.21

\* Cumulative Returns are measured since inception.  
(Note: Information is current as at 31 Oct 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](http://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.

## OTHER INFORMATION

CDAM has been consistently reporting positive returns since its inception. Between April 1998 and Oct 2019, CDAM achieved a net compound return of 11.39% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year except in year 2005, 2009, 2012, 2013 and 2018 which gained 4.49% 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, their 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. The 2020 China Immersion Programme will be held in May 2020.

### Our 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-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.

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

INDEPENDENCE \* INTELLIGENCE \* INTEGRITY

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