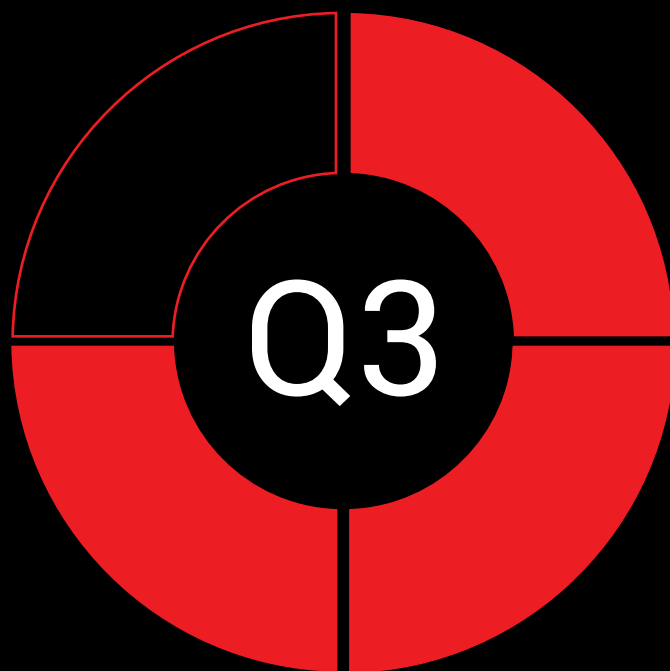


*i* Capital International Value Fund ARSN 134 578 180



Quarterly Investment Report  
For the period 1 January 2023 to 31 March 2023



## 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>	$\$50,000.00 \times 0.9843\% = \$563.62$
<b>Total Fee Per Year:</b>	\$1332.37

By 31 March 2023, the Fund has, from its inception in July 2009, delivered an annual compound return of 1.68%, net of expenses. Comparative benchmark figures are shown in **figure 1** and **table 1**.

During the 1 January 2023 to 31 March 2023 quarter, the Fund returned 9.04% after fees. For the 1-year

ending 31 March 2023, the Fund returned 11.11% after fees which compares with the returns of MSCI ACWI Index and ASX200 in AUD (benchmark) of 1.91% and -4.29%. Furthermore, the Fund has risen by 20.68% from its lowest point of A\$0.5905 as at 31 Oct 2022, as compared with the benchmark's returns of 5.31% and 4.58%.

## MARKET REVIEW AND OUTLOOK

### China - A Weak Recovery?

The NAV for the *i* Capital International Value Fund fell to a low of A\$0.5905 in October 2022. By March 2023, its NAV has jumped 20.68% to A\$0.7216 (the MSCI ACWI increased 5.31% in the same period). As explained previously, the strong performance by your Fund is not surprising.

However, of late, Chinese equity markets have turned weak again. Why and is it a cause for worry? The latest so-called "weaker than expected" China's macro-economic data worried some overseas investors. If we dig deeper into the data in an objective manner, it is hard to say China's economic recovery is weak, especially when comparing with Western countries which are on the verge of recession.

For example, China's industrial output expanded by 5.6% year-on-year in April 2023, accelerating from a 3.9% rise in March. It was the 12th straight month of growth in industrial output and the fastest since September 2022.

In this round of recovery, China's domestic consumption growth will be the key source of growth. As a proxy, retail sales of consumer goods in China jumped 18.4% year on year to RMB3.49 trillion in April, sharply accelerating from a 10.6% gain in March. This was the third straight month of growth in retail trade and the strongest pace since March 2021. Such a recovery is actually strong, considering that China's borders only fully re-opened recently and when Chinese consumers are more conservative and cautious than consumers in US and Europe. In addition, the lockdown in China was much longer and on a larger scale, which means that the depressed consumer confidence will need more time to normalise. Naturally, it should take a longer time for the consumption in China to return to pre-pandemic level.

Should one still be sceptical, take a look at China's power consumption. From January to April 2023, total power use in China grew 4.7%. When one looks deeper, one can

see that the pace of China's recovery is actually gaining momentum. The country's power consumption rose 2.3% during the first two months of 2023. The growth accelerated to 5.9% in March and rose further to 8.3% in April, a solid trend of increasing momentum.

However, despite an uneven recovery, China has no intention to resort to aggressive monetary stimulus or aggressive fiscal policy, like the extreme monetary easing and fiscal stimulus only to be followed by extreme tightening by the Western economies. China's inflation in April edged up only 0.1%, while the core inflation rose only 0.7%. Such benign inflation provides plenty of policy options for the government. Unlike many other major economies, China still has significant fiscal and monetary policy options available to support economic activities, should these be necessary.

It is interesting to see how Western media interprets the Chinese economy. When the growth was higher, which was a few years ago, they worried about its quality or sustainability; when the growth is slower, like now, they no longer pay attention to the quality issue and instead predicts a pessimistic future for China. The Chinese government is aware of the slower economic growth and has been aiming at quality growth instead of growth at all cost.

Such a high-quality growth is reflected by 10.6% increase in China's export in the first four months of 2023. The main contributors of such a healthy growth, despite the US aggressive efforts at curbing China's economy, were green and high-end manufacturing industries, including new energy vehicles, lithium-ion batteries and solar cells.

So if we look at not only the growth rate but at its quality, and make comparison with China's past and other countries, it is clear that China's economy is still in an excellent shape and on a steady recovery path. That

explains why the PBOC is not in a hurry to lower the LPR, China's benchmark interest rate.

China will remain a relatively safe place in a volatile and uncertain global environment. Investors do not have to worry about the country defaulting, unlike the debt crisis of the United States. As Chinese stocks offer cheap valuations with very attractive upside, your Fund continues to overweight such stocks.

Once again, we strongly encourage investors to take advantage of this rare opportunity to invest more and benefit from dollar cost averaging while valuations still remain depressed. The NAV of *i* Capital International Value Fund can be viewed at either [www.funds.icapital.biz](http://www.funds.icapital.biz) or [www.capitaldynamics.com.au](http://www.capitaldynamics.com.au).

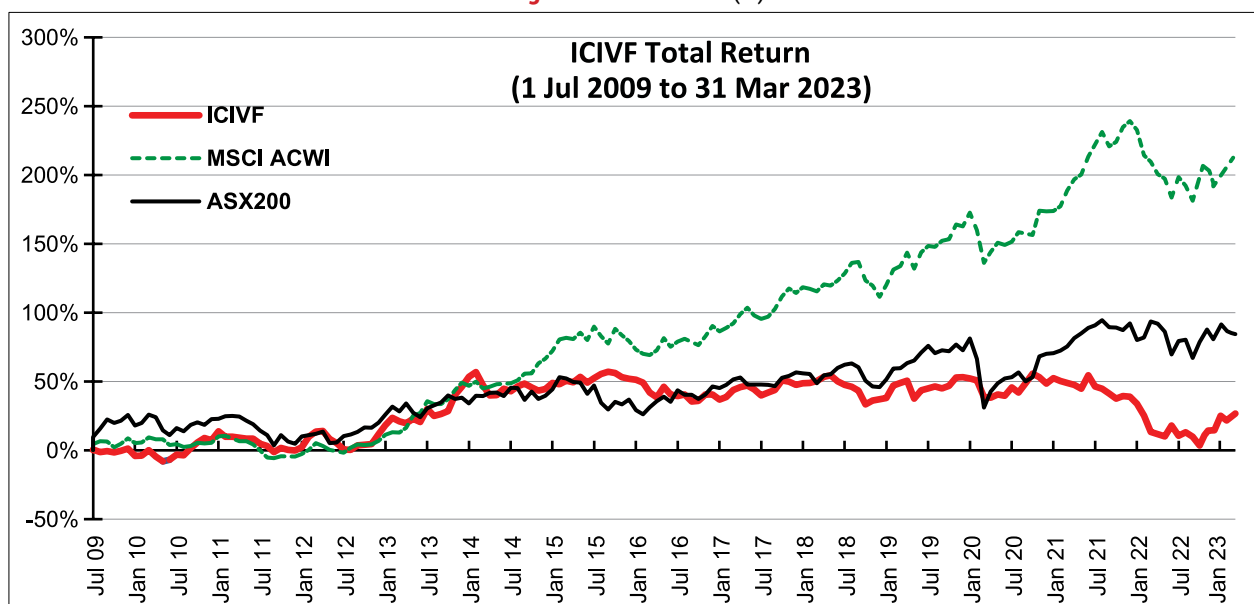
Best wishes.

A handwritten signature in Chinese characters, which reads "陳鼎武" (Tan Teng Boo).

Tan Teng Boo  
Managing Director  
Capital Dynamics (Australia) Limited  
AFSL 326283  
27th May 2023

## 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)	11.11%	-15.55%	25.81%	1.68%
MSCI ACWI (AUD)	1.91%	9.24%	215.42%	8.71%
ASX200 (AUD)	-4.29%	5.70%	85.28%	4.59%

## FUND PERFORMANCE 2

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

	Quarter ending 31 Mar 2023 (% of change)
Pacific Bioscience Of California Inc	41.56%
Hans Laser Technology Industry Group Co Ltd	18.32%
Alibaba Group Holding Ltd	16.41%
K2 Asset Management Holdings	15.91%
Pico Far East Hldg Ltd	8.53%

The table above presents the top 5 performing stocks 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 2023), and held till the end of the quarter (i.e. 31 March 2023). 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 a stock was bought on 10 January 2023 and sold on 31 March 2023, its performance is only measured over 10 January 2023 to 31 March 2023 and not over the full quarter. Similarly, if it was bought on 2 January 2023 and sold on 28 February 2023, its performance is measured over the period 2 January 2023 to 28 February 2023.



### FUND PERFORMANCE 3

**Table 3** shows the percentage gain or loss of each company held by your Fund as at 31 March 2023. 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 2023 (A\$)	% Change
Alibaba Group Holding Ltd	16.10	18.42	14.42%
Concord New Energy	0.05	0.09	75.10%
Guangdong Provincial Expressway Development Co Ltd	0.95	0.99	4.26%
Hans Laser Technology Industry Group Co Ltd	9.63	6.49	-32.53%
K2 Asset Management Holdings	0.28	0.05	-81.49%
Pacific Bioscience of California Inc	36.80	14.95	-59.38%
Pico Far East Hldg Ltd	0.44	0.24	-44.96%
Ping An Insurance Group of China Limited	15.84	8.46	-46.57%
Rexlot Holdings Ltd	0.10	0.00	-96.88%
United Plantations Bhd	5.07	5.28	4.23%
Wilmar International Ltd	4.72	4.20	-11.07%

**Table 4** shows the percentage gain or loss arising from currency movements as at 31 March 2023. 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 2023 (A\$)	% Change
Alibaba Group Holding Ltd	16.10	16.69	3.67%
Concord New Energy	0.05	0.08	50.03%
Guangdong Provincial Expressway Development Co Ltd	0.95	1.07	13.38%
Hans Laser Technology Industry Group Co Ltd	9.63	9.77	1.54%
K2 Asset Management Holdings	0.28	0.28	0.00%
Pacific Bioscience of California Inc	36.80	42.57	15.68%
Pico Far East Hldg Ltd	0.44	0.48	10.92%
Ping An Insurance Group of China Limited	15.84	18.19	14.85%
Rexlot Holdings Ltd	0.10	0.13	27.77%
United Plantations Bhd	5.07	5.32	5.04%
Wilmar International Ltd	4.72	5.32	12.64%

## PORTFOLIO INFORMATION

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

	Cash (%)	Equities (%)
End of Dec 22	3.82%	96.18%
End of Jan 23	0.49%	99.51%
End of Feb 23	0.47%	99.53%
End of Mar 23	1.43%	98.57%

**Table 6** Top 5 holdings as at 31 Mar 2023

	<b>67.21%</b>
Concord New Energy	18.15%
Guangdong Provincial Expressway Development Co Ltd	13.41%
Alibaba Group Holding Ltd	13.10%
Pico Far East Hldg Ltd	11.91%
United Plantations Bhd	10.65%

**Table 7** Portfolio breakdown for equities by region as at 31 Mar 2023 (in AUD)

	<b>100.00%</b>
Hong Kong	65.85%
Malaysia	10.80%
Singapore	8.45%
China	8.98%
United States	5.89%
Australia	0.02%

## 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.

**1. Monetary Policy**

Monetary policy is a set of actions that can be undertaken by a nation's central bank to control the overall money supply, rate of inflation and achieve sustainable economic growth.

**2. Monetary Stimulus**

A monetary stimulus involves central bank either increase the supply of money or reduce the interest rate to encourage consumer spending. The goal of monetary stimulus is to get individual to use that money.

**3. Fiscal Policy**

Fiscal policy refers to the use of government spending and tax policies to influence economic conditions including aggregate demand for goods and services, employment, inflation, and economic growth to achieve sustainable economic growth.

**4. Fiscal Stimulus**

Fiscal stimulus is the policy undertaken by government to reduce the taxes or increase the government spending. The objective of the fiscal stimulus is to boost the economic activity.

**5. Benign Inflation**

Benign inflation refers to a moderate and steady increase in the general price level of goods and services in an economy over time. This type of inflation is generally considered to be beneficial for the economy, as it indicates that there is enough demand for goods and services to support growth and job creation.

**6. PBOC**

PBOC is referring to People's Bank of China, the central bank of China. Responsible for carrying out the monetary policy and regulation of financial institution in mainland China.

**7. LPR**

LPR is referring to Loan Prime Rate, the benchmark interest rate and the most preferential lending rate offered by a commercial bank to its prime clients.

**8. Dollar Cost Averaging**

Dollar cost averaging is the practice of systematically investing equal amounts of money at regular intervals, regardless of the price of a security.

## 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





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