

i Capital International Value Fund ARSN 134 578 180



Quarterly Investment Report
For the period 1 October 2022 to 31 December 2022

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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

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 0.9843\% = \563.62
Total Fee Per Year:	\$1332.37

PERFORMANCE REVIEW

By 31 December 2022, the Fund has, from its inception in July 2009, delivered an annual compound return of 1.06%, net of expenses. The cumulative total return of the Fund is 15.38%. Comparative benchmark figures are shown in **figure 4** and **table 1**.

During the 1 October 2022 to 31 December 2022 quarter, the Fund returned 5.18% after fees. This compares with the MSCI ACWI Index and ASX200 of 3.72% and 8.72%. For the 1-year ending 31 December 2022, the Fund's NAV fell 16.86% after fees which compares with the benchmark falls of 14.02% and 5.45%.

MARKET REVIEW AND OUTLOOK

Goldilocks-China

The NAV for the *i* Capital International Value Fund fell to a low of A\$0.5905 in October 2022. By February 2023, its NAV has jumped 16.9% to A\$0.6903 (the MSCI ACWI instead fell 1.72% in the same period). The strong performance by your Fund is not surprising.

Since my last quarterly commentary, the Chinese government has fully re-opened the country's borders, exiting from the dynamic zero-Covid policy. As a result, the Chinese stocks have rallied strongly. As your Fund's has a high exposure to Chinese stocks, your Fund's NAV naturally gained.

In the Special Fund Gathering that I conducted on Saturday, 7th January 2023, my advice to our investors was loud, clear and very simple – buy Chinese stocks. By logical extension my advice was to invest or invest more in the *i* Capital International Value Fund.

A key question is whether this just a flash in the pan or a sustainable recovery.

Do a quick survey around the world and one will find most countries facing soaring inflation, food supply disruptions and or social instability. The US is desperately trying to tame soaring inflation, Japan saw her inflation at a 41-year high, the UK is still suffering from double-

digit inflation and even Singapore is finding it extremely difficult to tame her soaring inflation. Then countries like the UK are also facing food shortages. British supermarket chains have limited the amount of some fresh fruits and vegetables that customers can buy amid shortages blamed on bad weather and BREXIT.

Do another quick survey around the world and you will find that most central banks are still raising interest rates in a desperate attempt to catch up with rising prices. The Reserve Bank of Australia (RBA) has found that it has tightened too little as Australia's inflation keeps soaring out of control. RBA raised its interest rates to a decade high of 3.35% at its first meeting of 2023. Inflation ended 2022 at 7.8%.

The US Federal Reserve is facing a complicated situation. Despite a very aggressive monetary tightening, it is not able to cool the still overheated US economy down. The US economic indicators for Jan 2023 were all above expectations. And now the US economy faces another potential systemic financial crisis. Thanks to the belated but aggressive US monetary tightening, the Silicon Valley Bank (SVB) became insolvent, marking the largest bank bankruptcy since 2008.

Compare the headline inflation rates of China with that of the US. Inflation in China since 2020 has been running around a healthy 1-2% (**figure 1**).

Figure 1 China's Inflation Rate

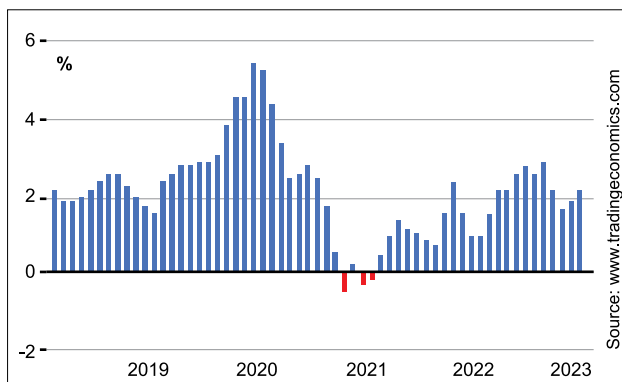
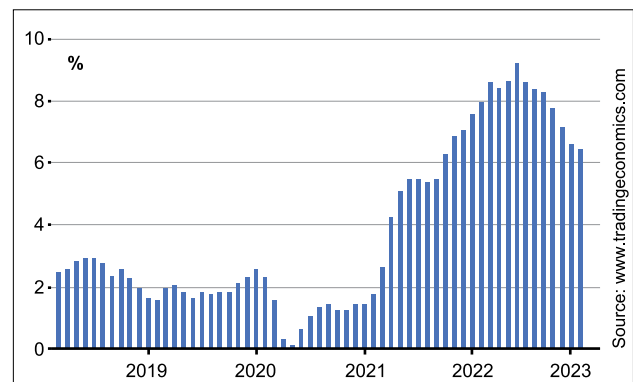


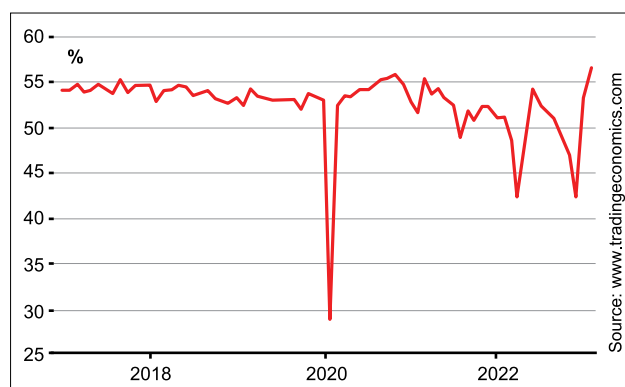
Figure 2 US's Inflation Rate



Do one more survey around the world and you will find that China is not facing out-of-control inflation, food shortages or interest rate hikes. As the rest of the world tightens and tightens, China is easing her monetary policy and steadily lowering her interest rate. As the rest of world panicked over the contagion from the insolvency of the SVB, China is a safe oasis in such turbulent times.

Then, the National Bureau of Statistics reported that the purchasing managers index (PMI) for China's manufacturing sector surged to 52.6% in Feb from 50.1% in Jan (**figure 3**). The reading marked a new high since Apr 2012. China's non-manufacturing PMI, which tracks activity in the services and construction sectors, also jumped to 56.3% in Feb from 54.4% in Jan.

Figure 3 China's Manufacturing PMI



In the end, what we have is this. As the rest of the world panics and grapples with soaring inflation and heading for a sharp slowdown or outright recession, China is in a Goldilocks position. The Chinese government under Xi Jinping has successfully managed to achieve an ideal environment where there is benign inflation and robust economic growth. Investors love such an environment. The Shanghai, Shenzhen, and Hong Kong stock markets will be big beneficiaries of such success.

While the US is heading for more turbulence in 2023, China is heading for a sustainable growth. This is good news for the *i* Capital International Value Fund it still has a substantial exposure to Chinese stocks. Chinese stocks are expected to continue performing well in the rest of 2023 and beyond.

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 or www.capitaldynamics.com.au.

Best wishes.

陳鼎武

Tan Teng Boo
Managing Director
Capital Dynamics (Australia) Limited
AFSL 326283
11th March 2023

FUND PERFORMANCE 1

Figure 4 Total return (%)

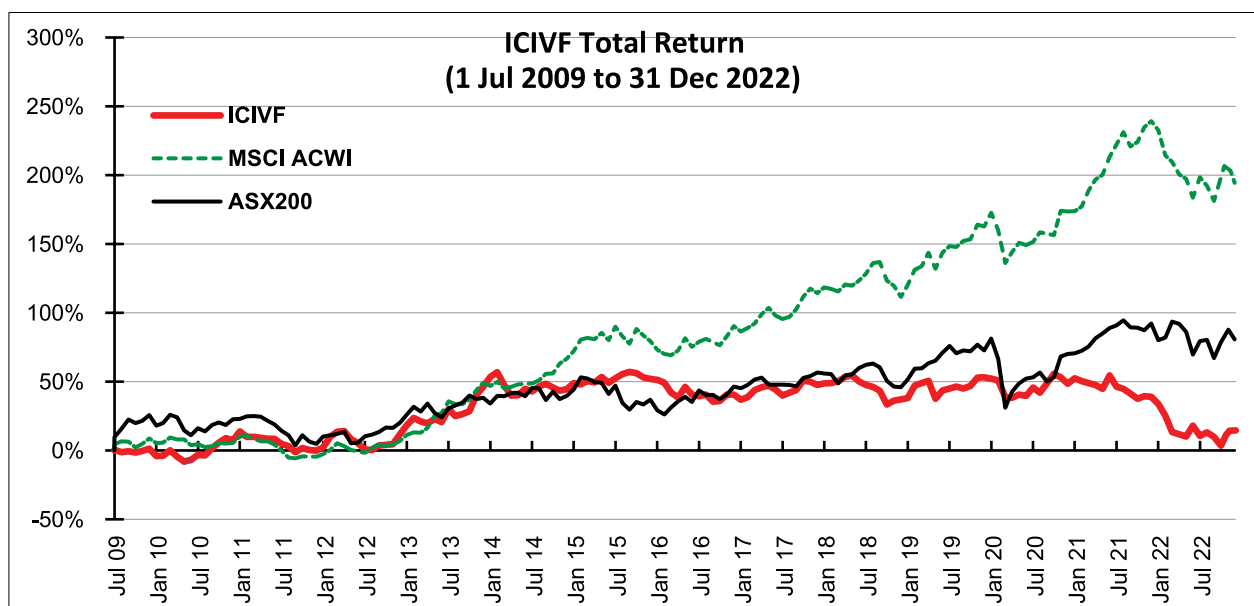


Table 1 Cumulative Total Return and Compound Return

	Cumulative Total Return (%)			Compound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICIVF (AUD)	-16.86%	-22.29%	15.38%	1.06%
MSCI ACWI (AUD)	-14.02%	6.59%	191.58%	8.24%
ASX200 (AUD)	-5.45%	6.86%	81.69%	4.52%

FUND PERFORMANCE 2

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

	Quarter ending 31 Dec 2022 (% of change)
Pacific Bioscience of California Inc	40.91%
Ping An Insurance Group of China Limited	31.76%
Pico Far East Hldg Ltd	20.56%
Alibaba Group Holding Ltd	10.65%
Wilmar International Ltd	8.59%

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 October 2022), and held till the end of the quarter (i.e. 31 December 2022). 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 2 November 2022 and sold on 30 December 2022, its performance is only measured over 2 November 2022 to 30 December 2022 and not over the full quarter. Similarly, if it was bought on 3 October 2022 and sold on 30 November 2022, its performance is measured over the period 3 October 2022 to 30 November 2022.

FUND PERFORMANCE 3

Table 3 shows the percentage gain or loss of each company held by your Fund as at 31 December 2022. 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 Dec 2022 (A\$)	% Change
Alibaba Group Holding Ltd	16.10	15.82	-1.71%
Concord New Energy	0.05	0.09	72.60%
Guangdong Provincial Expressway Development Co Ltd	0.95	0.92	-2.48%
Hans Laser Technology Industry Group Co Ltd	9.63	5.49	-42.98%
K2 Asset Management Holdings	0.28	0.04	-84.03%
Pacific Bioscience of California Inc	36.80	10.56	-71.31%
Pico Far East Hldg Ltd	0.44	0.22	-49.28%
Ping An Insurance Group of China Limited	15.84	8.55	-46.00%
Rexlot Holdings Ltd	0.10	0.00	-96.88%
United Plantations Bhd	5.07	4.93	-2.76%
Wilmar International Ltd	4.72	4.16	-11.91%

Table 4 shows the percentage gain or loss arising from currency movements as at 31 December 2022. 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 Dec 2022 (A\$)	% Change
Alibaba Group Holding Ltd	16.10	16.58	2.98%
Concord New Energy	0.05	0.08	49.03%
Guangdong Provincial Expressway Development Co Ltd	0.95	1.07	12.62%
Hans Laser Technology Industry Group Co Ltd	9.63	9.54	-0.87%
K2 Asset Management Holdings	0.28	0.28	0.00%
Pacific Bioscience of California Inc	36.80	42.04	14.25%
Pico Far East Hldg Ltd	0.44	0.48	10.18%
Ping An Insurance Group of China Limited	15.84	18.07	14.08%
Rexlot Holdings Ltd	0.10	0.13	26.92%
United Plantations Bhd	5.07	5.27	3.92%
Wilmar International Ltd	4.72	5.20	10.28%

PORTFOLIO INFORMATION

Table 5 Percentage of assets held as cash

	Cash (%)	Equities (%)
End of Sep 22	8.20%	91.80%
End of Oct 22	8.41%	91.59%
End of Nov 22	6.35%	93.65%
End of Dec 22	3.82%	96.18%

Table 6 Top 5 holdings as at 31 Dec 2022

	66.43%
Concord New Energy	19.00%
Guangdong Provincial Expressway Development Co Ltd	13.32%
Alibaba Group Holding Ltd	11.95%
Pico Far East Hldg Ltd	11.66%
United Plantations Bhd	10.50%

Table 7 Portfolio breakdown for equities by region as at 31 Dec 2022 (in AUD)

	100.00%
Hong Kong	67.45%
Malaysia	10.92%
Singapore	8.98%
China	8.12%
United States	4.50%
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. 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. BREXIT

BREXIT is referring to “British Exit”. It was the decision of United Kingdom (UK) from the Europe Union (EU) in a referendum on 23 June 2016. The BREXIT was occurred on 31 January 2020.

2. PMI

Purchasing Managers’ Index is the index of the current direction of economic trends in the manufacturing and service sectors.

3. 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.

4. Goldilocks Economy

A Goldilocks economy describes an ideal state for an economic system. In this perfect state, there is full employment, economic stability, and stable growth. The economy is not expanding or contracting by a large margin.

5. Contagion

A contagion is the spread of an economic crisis from one market or region to another and can occur at both a domestic or international level.

6. 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.

7. 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.

8. Zero-Covid Strategy

Zero-Covid strategy is to get the area back to zero new infections and resume normal economic and social activities. It involves using public health measures such as contact tracing, mass testing, border quarantine, lockdowns, and mitigation software in order to stop community transmission of COVID-19 as soon as it is detected.

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, 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



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

Suite 101, Level 1, 49-51 York Street, Sydney
NSW 2000, Australia
(61 2) 92622621
www.capitaldynamics.com.au
info@capitaldynamics.com.au