

i Capital International Value Fund ARSN 134 578 180



Quarterly Investment Report
For the period 1 October 2023 to 31 December 2023

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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 2023, the Fund has, from its inception in July 2009, delivered an annual compound return of 0.92%, net of expenses. Comparative benchmark figures are shown in **figure 2** and **table 1**.

During the 1 October 2023 to 31 December 2023 quarter, the Fund returned -6.30% after fees. For the

1-year ending 31 December 2023, the Fund returned -1.02% after fees which compares with the returns of MSCI ACWI Index and ASX200 in AUD (benchmark) of 20.66% and 7.84%. Furthermore, the Fund has risen by 5.54% from its lowest point of A\$0.5905 as at 31 Oct 2022 (excluding distributions), as compared with the benchmark's returns of 17.47% and 10.60%.

MARKET REVIEW AND OUTLOOK

I have recently been saying that I see a multiple year-type of rally for Chinese stocks starting in 2024. Does this make investment sense ?

Bloomberg just ran an article titled "China is fast losing its place as must-have in global portfolios." Abhishek Vishnoi, Amy Bainbridge & Eliyahu Kamisher wrote :*"Years of harrowing losses have left Chinese stocks with a diminished standing in global portfolios, a trend that's likely to accelerate as some of the world's biggest funds distance themselves from the risk-ridden market."*

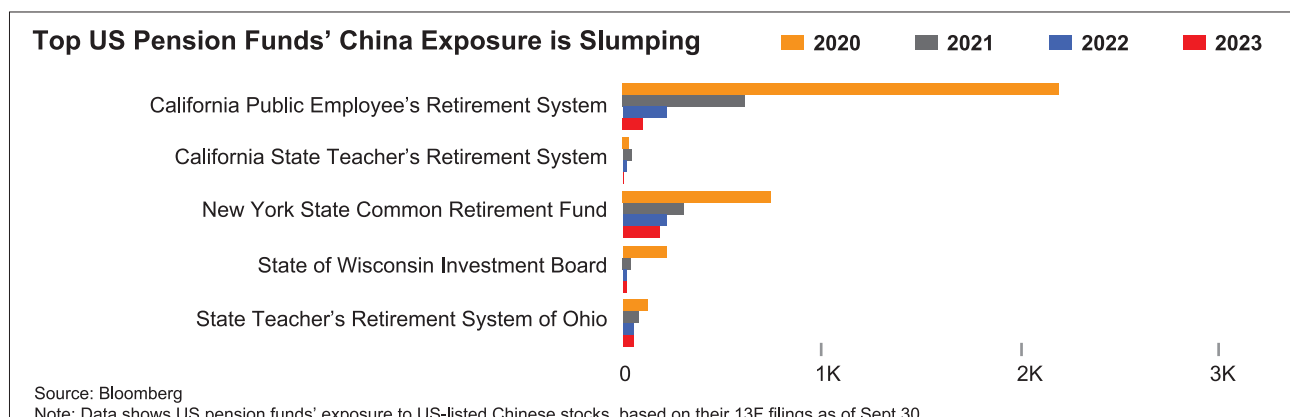
The authors showed an analysis of filings by 14 US pension funds with investments in Chinese stocks. It showed most of them have significantly reduced their holdings since 2020 (**figure 1**). Missouri State Employees' Retirement System in Dec told its staff to *"divest from all of its current global public equity investment in China"*. That came a month after the Federal Retirement Thrift Investment Board said it will exclude investments in Hong Kong, in addition to mainland China, from its US\$68 bln international fund.

Bloomberg analysed 13F filings by 271 American pension funds with assets over US\$500 mln. Among them, only 14 had investments in US-listed Chinese stocks. A 2023 survey of 100 pension and sovereign wealth managers by London-based think-tank Official Monetary and Financial Institutions Forum found none of them have a positive outlook on China, or see higher relative returns.

The reasons given by these large lemming-like entities are the same stories being told and time again about China - a toxic combination of doubts over China's long-term economic agenda, a prolonged property crisis, and strategic competition with the US. In Aug last year, when US commerce secretary Gina Raimondo was visiting China, she said US companies have complained to her that China has become "uninvestable."

What should investors of *i* Capital International Value Fund do since your fund invested substantially in Chinese stocks? Should investors follow these certainly large supposedly sophisticated investors and sell their Chinese stocks ? Or should investors be scooping up the many quality bargains found in the

Figure 1



Chinese stock markets, the 2nd largest stock market in the world ?

"A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful. And most certainly, fear is now widespread, gripping even seasoned investors. To be sure, investors are right to be wary of highly leveraged entities or businesses in weak competitive positions. But fears regarding the long-term prosperity of the nation's many sound companies make no sense. These businesses will indeed suffer earnings hiccups, as they always have. But most major companies will be setting new profit records 5, 10 and 20 years from now."

Guess who wrote the above passage and when ?

Before we provide the answer, let us share some time-proven investment wisdom with our investors first.

The quote *"buy when there is blood in the streets"* was coined by Baron Rothschild in the 18th century after the market panic that ensued from the Battle of Waterloo against Napoleon. In present times, this expression means *"buy when there is the most pessimism"*. Based on this famous adage, now is the time to buy Chinese stocks.

John Templeton, a famous and successful value investor, was a pioneer in global investing. Templeton used his fund to show Americans the value of investing worldwide. At the time he established his fund, most Americans rarely invested in foreign markets. In the Sixties, he was the first Western investor to buy the unloved Japanese stocks.

One of Templeton's best advice is : *"Even if everyone around you is selling, sometimes the best idea is to take a breath and hold on to your portfolio. In the event of a sell-off, only divest if you have identified more attractive stocks to pick up"*. This would certainly apply to the Chinese stocks now.

Or Templeton would say : *"Buy value, not market trends or the economic outlook"*. Templeton emphasises that individual stocks determine the market and not the other way around. Again, one should be scooping up the many quality bargains found nowadays in the Chinese stock markets.

Templeton also advised that when buying stocks, search for bargains among quality stocks. Nowadays, many Chinese companies have proven to be high quality stocks, a fact pointed out by the legendary Charlies Munger before he died in 2023. And there are certainly many bargains to be found among these Chinese stocks.

Templeton also advised investing as a contrarian. It means that to be a successful investor, you will

have to go against the crowd, like going against the indiscriminate selling of Chinese stocks by the American pension funds and sovereign wealth managers. Why ? When equities are popular and in demand, their prices are usually too high. Opportunities to buy low only come when people are pessimistic about the market's performance. If he is alive, Templeton would certainly be buying lots of Chinese stocks now.

So who wrote the above passage and when ?

On 16 Oct, 2008, Warren E. Buffett wrote the above passage as part of his op-ed in The New York Times. What Buffett advised about US stocks in the darkest days of the 2008 US-led global financial crisis applies to Chinese stocks now. Warren Buffett is famous for giving this advice *"Be Fearful When Others Are Greedy And Greedy When Others Are Fearful."* To be sure, China now is very far from facing or near a financial crisis or even a recession (China's GDP grew a healthy 5.2% in 2023) but the prevailing fears among the foreign investors over China and her stock markets are similar to the fears investors had over US stocks and economy in 2008. To the many investors of *i* Capital International Value Fund, be a buyer when such sellers dominate China's stock markets. You would not go wrong.

Based on the time proven advice of Buffett, Templeton, and Munger, the American pension funds and sovereign wealth managers are making the wrong decision, a huge mistake, in selling their Chinese stocks. As the foreign selling dries up and China's economic recovery broadens out and gain momentum in 2024, the stage is set for a major reversal in the trend of Chinese stocks.

Believe me or not, China's economy remains the strongest in the world. In the long run, global investors will return in droves to Chinese stocks. *i* still strongly recommend investors to invest more into the *i* Capital International Value Fund. Investors should take advantage of this very rare low risk, high return opportunity. The NAV of *i* Capital International Value can be viewed at either www.funds.icapital.biz or www.capitaldynamics.com.au.

Best wishes.

陳鼎武

Tan Teng Boo
Managing Director
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22nd January 2024

FUND PERFORMANCE 1

Figure 2 Total return (%)

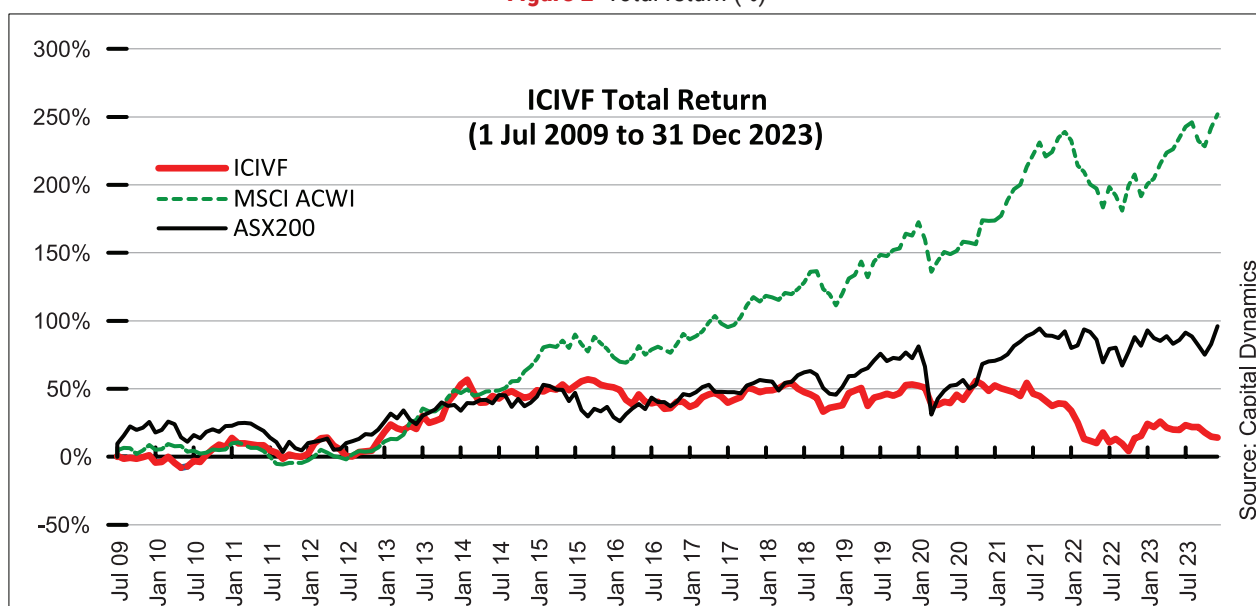


Table 1 Cumulative Total Return and Compound Return

	Cumulative Total Return (%)			Compound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICIVF (AUD)	-1.02%	-17.71%	14.20%	0.92%
MSCI ACWI (AUD)	20.66%	3.75%	251.84%	9.06%
ASX200 (AUD)	7.84%	1.96%	95.94%	4.75%

FUND PERFORMANCE 2

Table 2 Top 3 performing stocks (current holdings only) (in local currency)

	Quarter ending 30 Jun 2023 (% of change)
Pacific Bioscience of California Inc	17.49%
United Plantations Bhd	6.97%
Pico Far East Hldg Ltd	6.21%

The table above presents the top 3 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 2023), and held till the end of the quarter (i.e. 31 December 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 United Plantations Bhd was bought on 3 October 2023 and sold on 11 December 2023, its performance is only measured over 3 October 2023 to 11 December 2023 and not over the full quarter. Similarly, if it was bought on 10 October 2023 and sold on 29 December 2023, its performance is measured over the period 10 October 2023 to 29 December 2023.

FUND PERFORMANCE 3

Table 3 shows the percentage gain or loss of each company held by your Fund as at 31 December 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 Dec 2023 (A\$)	% Change
Alibaba Group Holding Ltd	16.10	13.87	-13.85%
Concord New Energy	0.05	0.08	60.09%
Frencken Group Ltd	1.48	1.50	1.32%
Guangdong Provincial Expressway Development Co Ltd	0.95	1.02	7.45%
Hans Laser Technology Industry Group Co Ltd	9.63	4.43	-53.94%
K2 Asset Management Holdings	0.28	0.07	-75.68%
Pacific Bioscience Of California Inc	36.80	12.66	-65.59%
Pico Far East Hldg Ltd	0.44	0.26	-39.46%
Ping An Insurance Group Of China Limited	15.84	5.85	-63.04%
Rexlot Holdings Ltd	0.10	0.00	-96.88%
United Plantations Bhd	5.07	5.73	13.12%

Table 4 shows the percentage gain or loss arising from currency movements as at 31 December 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 Dec 2023 (A\$)	% Change
Alibaba Group Holding Ltd	16.10	16.47	2.30%
Concord New Energy	0.05	0.08	48.04%
Frencken Group Ltd	1.48	1.48	0.02%
Guangdong Provincial Expressway Development Co Ltd	0.95	1.06	11.87%
Hans Laser Technology Industry Group Co Ltd	9.63	9.29	-3.43%
K2 Asset Management Holdings	0.28	0.28	0.00%
Pacific Bioscience Of California Inc	36.80	41.78	13.55%
Pico Far East Hldg Ltd	0.44	0.48	9.45%
Ping An Insurance Group Of China Limited	15.84	17.95	13.33%
Rexlot Holdings Ltd	0.10	0.13	26.08%
United Plantations Bhd	5.07	5.02	-0.99%

PORTFOLIO INFORMATION

Table 5 Percentage of assets held as cash

	Cash (%)	Equities (%)
End of Sep 23	3.60%	96.40%
End of Oct 23	2.15%	97.85%
End of Nov 23	2.46%	97.54%
End of Dec 23	4.71%	95.29%

Table 6 Top 5 holdings as at 31 December 2023

	71.23%
Concord New Energy	18.35%
Guangdong Provincial Expressway Development Co Ltd	15.28%
Pico Far East Hldg Ltd	14.49%
United Plantations Bhd	12.21%
Alibaba Group Holding Ltd	10.91%

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

	100.00%
Hong Kong	68.79%
Malaysia	12.81%
Singapore	5.92%
China	6.76%
United States	5.68%
Australia	0.04%

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. Gross domestic product (GDP)

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

2. Federal Retirement Thrift Investment Board (FRTIB)

The Federal Retirement Thrift Investment Board is an independent agency of the United States government by the Federal Employees Retirement System Act of 1986.

FRTIB's mission is to help current and former civilian employees and members of the uniformed services prepare for their retirement years via the Thrift Savings Plan.

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



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