

*i* Capital International Value Fund ARSN 134 578 180



**Quarterly Investment Report**  
For the period 1 April 2019 to 30 June 2019



## 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. 0.9853% 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.

**Inception Date**

1 July 2009

## ICIVF AT A GLANCE

<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>	$\$50,000.00 \times 0.9853\% = \$492.65$
<b>Total Fee Per Year:</b>	\$1261.40

By 30 June 2019, the Fund has, from its inception in July 2009, delivered an annual compound return of 3.69%, net of expenses. This is commendable as the return was generated during a very turbulent period and is higher than the average return obtained from a 1-year time deposit. The cumulative total return of the Fund is 43.64%. Comparative benchmark figures are shown in figure 1 and table 1.

During the 1 April 2019 to 30 June 2019 quarter, the Fund returned -3.47% after fees. This compares with the MSCI ACWI Index and ASX200 in AUD (benchmark) return of 4.19% and 7.09%, resulting in relative performance of -7.66% and -10.56%. For the year ending 30 June 2019, the Fund returned -4.25% after fees which compares with the benchmark returns of 9.09% and 6.85%.

## MARKET REVIEW AND OUTLOOK

### Prioritise Public Interest

Many observers have said that one of the leading causes of the current protest in Hong Kong is the very expensive housing in the former British colony. Apparently, an important reason for this is that Hong Kong is a small territory with lots of people. Land supply is limited and demand for housing from her 7 million plus people is high. Superficially this makes sense until one looks at Singapore. While the total population of Singapore is lower than that of Hong Kong, Singapore is an even smaller place. On a population density basis, that is, the number of people per square kilometre, Singapore has more than 8,000 people per square kilometre, substantially higher than that of Hong Kong. So why is housing affordability not a major issue in Singapore?

Whenever someone tells the Hong Kong people they can learn a thing or two from Singapore's experience in dealing with public and private housing, they get very defensive and instead turn to criticising Singapore on other issues, in the process losing sight of what is fundamentally at stake.

Hong Kong has her Lands Resumption Ordinance. It is an act that empowers the government to forcibly take back private land for an established public purpose such as public housing, the development of new towns, or community facilities such as schools, parks, hospitals or welfare service buildings. Affected landowners are compensated and assessed on the open market value of the property, which includes taking into account prices paid for similar property in recent transactions. While the powers of this Ordinance have been used by the Hong Kong government in the past, the government has all in all been very timid and unimaginative with its implementation, fearing that private landowners could raise legal challenges to governmental action under this

Ordinance. In this regard, Hong Kong has plenty to learn from Lee Kuan Yew's Singapore.

Lee Kuan Yew said, *"First, that no private landowner should benefit from development which had taken place at public expense; and secondly, the price paid on the acquisition for public purposes should not be higher than what the land would have been worth had the Government not contemplated development generally in the area."* Just think about this and one will realise that more governments should act in this responsible manner.

Singapore's Land Acquisition Act was passed by her parliament on 26 Oct 1966 and came into effect on 17 Jun the following year. The Act gives state board powers to acquire land 1) for any public purpose, 2) by any person, corporation or statutory board, for any work or an undertaking which, in the opinion of the Minister, is of public benefit or of public utility or in the public interest; or 3) for any residential, commercial or industrial purposes. It is similar to Hong Kong's Land Resumption Ordinance.

Lee Kuan Yew added, *"Later, I further amended the law to give the government the power to acquire land for public purposes at its value on a date fixed at 30 November 1973. I saw no reason why private landowners should profit from an increase in land value brought about by economic development and the infrastructure paid for with public funds."*

What Lee Kuan Yew expressed shows a deep understanding of private property and public interest. Private interest cannot always be more important than public interest and appropriate action has to be taken even if it meant that individual interests have to be compromised. Filthy-rich Li Ka-shing should know this if he had any ounce of social responsibility instead of just thinking about how to make more money all the time.

*“When we were confronted with an enormous problem of bad housing, no development, overcrowding, we decided that unless drastic measures were taken to break the law, break the rules, we would never solve it. We therefore took overriding powers to acquire land at low cost, which was in breach of one of the fundamentals of British constitutional law – the sanctity of property. But that had to be overcome, because the sanctity of the society seeking to preserve itself was greater. So we acquired at sub-economic rates.”* Brilliantly said, wisely implemented. Hong Kong cannot keep giving the excuse of facing legal challenges from private landowners.

Any disputes between the government and landowners over the compensation amounts were presided over by an Appeals Board. To further expedite government developmental projects through land acquisition, the Act was amended in 1973 in order to curb land speculation and limit the cost of land acquisition. The revised Act fixed the compensation amount for acquired land at the market value as at 30 Nov 1973 or at the date of gazette notification, whichever was lower.

Between 1959 and 1984, the Singapore government acquired a total of 43,713 acres of land, which constituted about one-third of the total land area of Singapore at the time. The bulk of this land bank was acquired under the Land Acquisition Act after 1967. The government became the biggest landowner by 1985, owning 76.2% of land in Singapore, more than double the 31% in 1949.

Between 1963 and 1985, the Housing Development Board constructed over 500,000 flats to provide accommodation at affordable prices for over 80% of Singapore’s total population. The Jurong Town Corporation was able to establish 20 industrial estates, including the 6,500-ha Jurong Industrial Estate by the end of 1985. In total, there were some 3,070 factories in the estates employing about 217,000 workers or 70% of Singapore’s manufacturing workforce.

Many years later, Singapore has the most successful public housing programme in the world and all Hong Kong can claim is the empty boast of having the freest economy in the world. When one goes to Hong Kong, one should not just look up at the many skyscrapers and colourful neon lights. The true Hong Kong can be found by looking down at the pavements, back lanes, and the working and living conditions of the ordinary Hong Kong people. Hong Kong’s income inequality was 53.9 in 2016 compared with 45.9 for Singapore in 2017.

Hong Kong has too many hooligans. As professor Jason Brennan defines it:

*“Hooligans have strong and largely fixed worldviews. They can present arguments for their beliefs, but they cannot explain alternative points of view in a way that people with other views would find satisfactory. Hooligans consume political information, although in a biased way. They tend to seek out information that confirms their preexisting political opinions, but ignore, evade, and reject out of hand evidence that contradicts or disconfirms their preexisting opinions ..... They are overconfident in themselves and what they know. Their political opinions form part of their identity, and they are proud to be a member of their political team. For them, belonging to the Democrats or Republicans, Labor or Tories, or Social Democrats or Christian Democrats matters to their self-image in the same way being a Christian or Muslim matters to religious people’s self-image. They tend to despise people who disagree with them, holding that people with alternative worldviews are stupid, evil, selfish, or at best, deeply misguided. Most regular voters, active political participants, activists, registered party members, and politicians are hooligans.”*

(Source : “Against Democracy” by Jason Brennan)

The current protest provides an excellent excuse for the Hong Kong government to start a long-overdue reform process. Hong Kong has focused too much on economic growth (and to the exclusive benefit of a few filthy rich families) while neglecting social and economic development.

Brexit may not have happened if the UK had prioritised public interest. The US would not see Trump in the White House had the US prioritised public interest. The global economy would not have been adversely affected by the US-led trade war and the Brexit uncertainty.

Your Fund has about 23% of its NAV in cash at the time of writing this commentary and will be deployed as and when attractive opportunities arise. The NAV of the *i* Capital International Value Fund can be viewed at either [ww.capitaldynamics.com.au](http://ww.capitaldynamics.com.au) or [www.funds.icapital.biz](http://www.funds.icapital.biz).

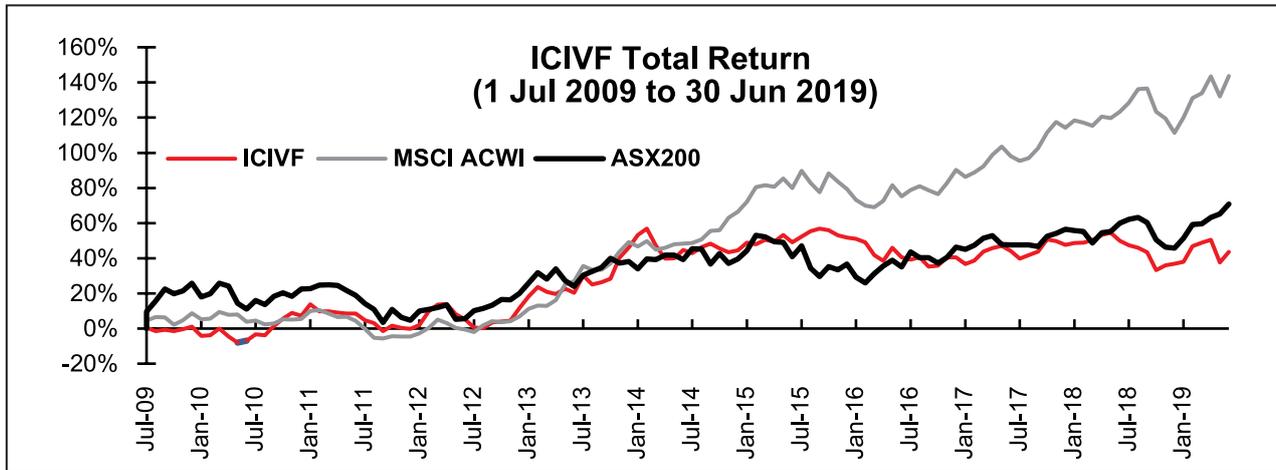
Best wishes.



Tan Teng Boo  
Director  
Capital Dynamics (Australia) Limited  
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8th November 2019

## 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)	-4.25%	-0.40%	43.64%	3.69%
MSCI ACWI (AUD)	9.09%	23.02%	143.64%	9.31%
ASX200 (AUD)	6.85%	15.69%	70.85%	5.50%

**Note :** 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.

## FUND PERFORMANCE 2

**Table 2** Top 3 performing stocks (in local currency)

	Quarter ending 30 Jun 2019 (% of change)
PAN-UNITED CORPORATION LIMITED	24.00%
XINGHUA PORT HOLDINGS LTD	8.70%
UOL GROUP LIMITED	8.63%

The table above presents the top 3 performing stock 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 April 2019), and held till the end of the quarter (i.e. 30 June 2019). 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 Pan-United Corporation Limited was bought on 21 Apr 2019 and sold on 30 Jun 2019, its performance is only measured over 21 Apr 2019 to 30 Jun 2019 and not over the full quarter. Similarly, if it was bought on 1 Apr 2019 and sold on 11 Jun 2019, its performance is measured over the period 1 Apr 2019 to 11 Jun 2019.

## FUND PERFORMANCE 3

**Table 3** shows the percentage gain or loss of each company held by your Fund as at 30 Jun 2019. 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 Jun 2019 (A\$)	% Change
ALIBABA GROUP HOLDING LTD	264.18	226.00	-14.45%
CHINA NEW TOWN DEV NPV	0.05	0.03	-39.22%
CONCORD NEW ENERGY	0.05	0.05	-5.70%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	0.95	1.04	9.40%
HOUR GLASS LTD	0.79	0.80	1.02%
K2 ASSET MANAGEMENT HOLDINGS	0.28	0.05	-80.40%
OVERSEAS EDUCATION LTD	0.37	0.28	-24.99%
PAN-UNITED CORPORATION LIMITED	0.37	0.31	-15.46%
PFEIFFER VACUUM TECHNOLOGY AG	237.73	203.13	-14.55%
PICO FAR EAST HLDG LTD	0.52	0.45	-14.11%
REXLOT HOLDINGS LTD	0.10	0.00	-96.88%
UOL GROUP LIMITED	7.08	7.86	11.00%
XINGHUA PORT HOLDINGS LTD	0.22	0.16	-26.81%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	4.54	2.53	-44.36%

**Table 4** shows the percentage gain or loss arising from currency movements as at 30 Jun 2019. 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 Jun 2019 (A\$)	% Change
ALIBABA GROUP HOLDING LTD	264.18	282.26	6.84%
CHINA NEW TOWN DEV NPV	0.05	0.05	8.54%
CONCORD NEW ENERGY	0.05	0.07	51.79%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	0.95	1.03	8.73%
HOUR GLASS LTD	0.79	0.80	0.36%
K2 ASSET MANAGEMENT HOLDINGS	0.28	0.28	0.00%
OVERSEAS EDUCATION LTD	0.37	0.41	10.62%
PAN-UNITED CORPORATION LIMITED	0.37	0.39	5.59%
PFEIFFER VACUUM TECHNOLOGY AG	237.73	245.00	3.06%
PICO FAR EAST HLDG LTD	0.52	0.56	8.09%
REXLOT HOLDINGS LTD	0.10	0.12	22.53%
UOL GROUP LIMITED	7.08	7.16	1.15%
XINGHUA PORT HOLDINGS LTD	0.22	0.25	12.07%
ZHENGZHOU YUTONG BUS CO LTD ORD SHS A	4.54	4.86	6.98%

## PORTFOLIO INFORMATION

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

	<b>Cash (%)</b>	<b>Equities (%)</b>
End of Mar 2019	29.72%	70.28%
End of Apr 2019	16.30%	83.70%
End of May 2019	17.57%	82.43%
End of Jun 2019	16.65%	83.35%

**Table 6** Top 5 holdings as at end Jun 2019

	<b>55.55%</b>
ALIBABA GROUP HOLDING LTD	15.05%
PICO FAR EAST HLDG LTD	11.04%
UOL GROUP LIMITED	11.01%
GUANGDONG PROVINCIAL EXPRESSWAY DEVELOPMENT CO LTD	9.74%
PFEIFFER VACUUM TECHNOLOGY AG	8.70%

**Table 7** Portfolio breakdown for equities by region as at end Jun 2019 (in AUD)

	<b>100.00%</b>
Hong Kong	34.75%
Australia	0.02%
Singapore	27.76%
China	8.98%
Europe	10.44%
United States	18.06%

## 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, Sydney, Hong Kong and Shanghai. 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.

**PE Ratio**

The price-earnings ratio (PE ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

## 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 2019 (“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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BY Capital Dynamics

INDEPENDENCE \* INTELLIGENCE \* INTEGRITY

Responsible Entity, Issuer and  
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