

i Capital Global Fund



Quarterly Investment Report
For the period 1 November 2019 to 31 January 2020

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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 ^[1] 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
Ng Kian Teck

**Investment
Manager**

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**Registered Office of the
Fund**

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P.O Box 31119
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Grand Cayman KY1-1205
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 third quarterly report of the *i* Capital Global Fund for the financial year ended 30 April 2020.

In the three months ended 31 Jan 2020, the net asset value (NAV) of the *i* Capital Global Fund increased 1.93% or US\$18.948 from US\$979.771 to US\$998.719 per share. In the same period, the MSCI All Country World Index (MSCI ACWI) (2) increased 4.53%.

Between 6 July 2007 and 31 Jan 2020, the NAV of the *i* Capital Global Fund lost 0.13% or US\$1.281 from US\$1,000.000 to US\$998.719 per share. In the same period, the MSCI ACWI increased 36.93%.

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.

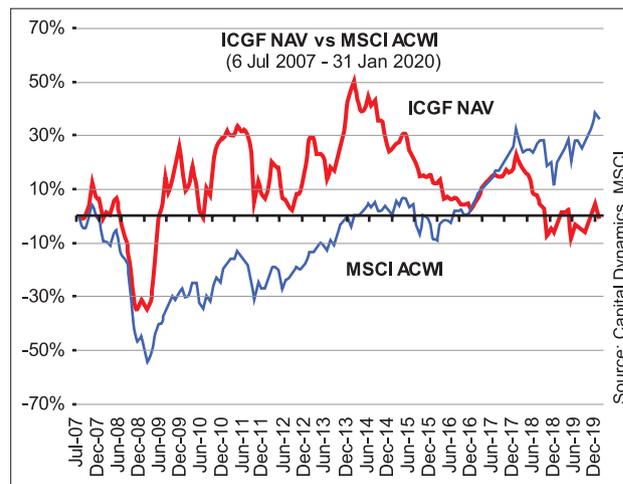
The portfolio of your Fund is spread across 14 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 12.

MARKET REVIEW AND OUTLOOK

The Fed Fights The Virus

In the world of coronavirus, a few months are a long time. Since our last quarterly commentary, the Covid-19 pandemic has claimed more lives and rapidly moved on from China and South Korea initially to Italy, Spain, France and Iran next and then

Figure 1 ICGF NAV vs MSCI ACWI (6 JUL 2007 - 31 JAN 2020)



The top 5 investments as at 31 Jan 2020 were Alibaba Group Holding Ltd, Zhengzhou Yutong Bus Co Ltd, Pfeiffer Vacuum Technology, Pico Far East Holdings, and UOL Group Ltd. They made up 62.60% of the total assets. At the end of Jan 2020, your Fund had 2.18% of its NAV in cash.

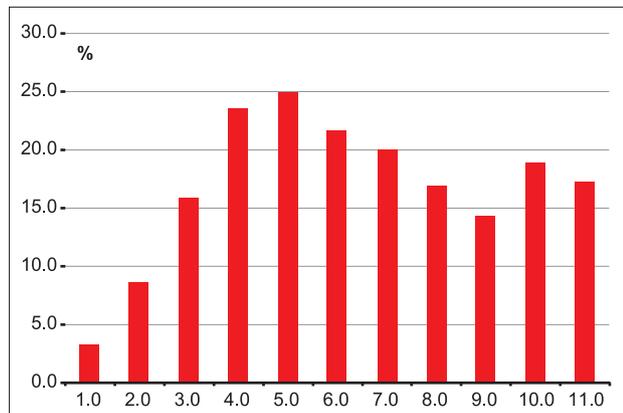
to the United States, United Kingdom, Russia, India and Brazil.

The number of confirmed cases in the United States, the world's clear leader, has surged to nearly 1.8 mln people and the number of Americans who have died has gone past 103,000. In just three months, Donald

Trump has happily allowed Sars-CoV-2 to claim the lives of more Americans than the 20-year Vietnam War did (in that unfair war on Vietnam, 58,220 American soldiers died). At the same time, 40 mln Americans are out of jobs as the US unemployment rate has surged to levels last seen in the 1929 Great Depression (**figure 2**). In Apr 2020, the US unemployment rate reached 14.7% (in Feb 2020 it was 3.5%) and is still climbing. Donald Trump succeeded in damaging the US economy to levels that took the 1929 Great Depression more than two years to accomplish (**figure 2**).

In the meantime, China has gone through the same Covid-19 pandemic with far less destruction. The

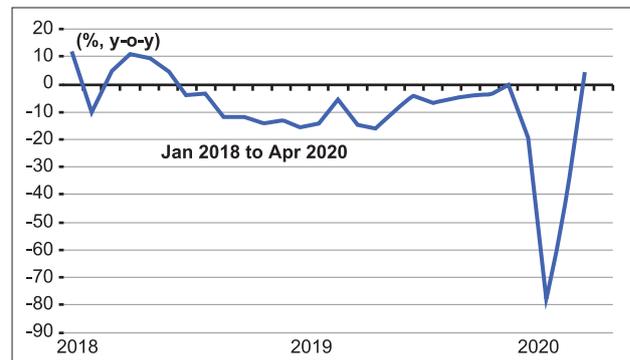
Figure 2 US Unemployment Rate: 1929 to 1939



absolute number of confirmed cases in China is 97% fewer than those in the US. The absolute number of deaths in China is also 97% fewer than those in the United States. Trump's America has more than 5,400 confirmed cases and more than 311 deaths per 1,000,000 persons. On the same basis, China's numbers are only around 58 persons and 3 persons

respectively. China's economy is also in a much better shape than the United States, even though she was the first country to be affected by the coronavirus outbreak and had to deal with many unknowns then. For example, total automobile sales in China have already recorded a positive year on year growth in a V-shaped recovery during April 2020 (**figure 3**).

Figure 3 Total Vehicle Sales



On one extreme, we have the United States, a country where handling of the pandemic is described by Obama as an "absolute chaotic disaster" and that Trump and other leaders "aren't even pretending to be in charge." On the other hand, China is progressing steadily back to normalcy. In Asia, the success in managing the pandemic goes beyond China – as many places have demonstrated. How can one explain the great disparity in impact even though both countries were facing the same pandemic?

Who and what created the Covid-19 pandemic? Sars-CoV-2? China? The virus Sars-CoV-2 is a necessary condition for the Covid-19 pandemic but Sars-CoV-2 is not a sufficient condition for the pandemic to

materialise. To understand the difference between necessary and sufficient, consider this. Water is necessary for the survival of humans but water is not sufficient for the survival of humans. Hence, what else is needed for the Covid-19 pandemic to occur?

While scientists and epidemiologists play a vital role in managing the Covid-19 pandemic, the roles of political leaders, public governance, public health administrators and ordinary citizens can also make a huge difference in managing the pandemic. Avoiding or delaying NPIs (non-pharmaceutical interventions) will not shield an economy from the COVID-19 shock. Although COVID-19 is a global shock, places where the outbreak is more sizeable have experienced significantly more severe economic losses. This underlines the importance of preventions, early responses, and other health measures to contain the outbreak at the local and national level.

The West did not have to go through the same cycles as Asia, where governments and public health systems had little warning of the virus and scrambled to understand it while reacting to outbreaks. There was a general sense of complacency and arrogance among Western governments that the outbreak was a China or an Asian problem. Trump and the West blame China for failing to act early in the pandemic, but Chinese officials did not know what they were dealing with. By comparison, the governments in the US, UK and Europe knew exactly what they were facing once the outbreak reached their borders. They were staggeringly slow to react, wasting time as the virus spread through Asia, and ignoring lessons learned by other countries. They were simply incompetent.

Blame China? Blame WHO? The developments in the West, and specifically the United States, cannot be due to a lack of information on the part of the US

and UK. Taiwan is not a member of the WHO and has complained of a lack of data sharing as a result of this. Yet, it was able to institute an effective response based on the information publicly available. Look at Cambodia and Vietnam, two countries with zero death and extremely low number of confirmed cases. The WHO announced that China had reported the emergence of a new and dangerous coronavirus on 9 Jan 2020. Only two days later, Chinese scientists published the full genetic sequence of COVID-19 so that researchers everywhere could start working on potential treatments and vaccines. The US and many Western countries did nothing serious about the pandemic for an astonishing two months after that WHO report. Why did all of them wait so long? The problem was not a one or two weeks delay in China; it was a couple of months' delay in the United States.

Managing the Covid-19 pandemic is not just about the virus. Managing this public health crisis is about: [1] good public governance, [2] the accountability of political leaders, [3] being socially responsible, [4] the community having social discipline, [5] the political leaders not being arrogant and [6] not being complacent.

If the US and other Western countries had followed China's way of managing the Covid-19 pandemic early on, the world economy would already be recovering now from a sharp but short economic contraction and the virus outbreak would have more or less dissipated from the global community. The US and other Western countries should not blame others for being humble and disciplined; they need to blame themselves for being too arrogant and complacent.

Notwithstanding the seriousness of the Covid-19 pandemic, the way I see it, life will get back to normal and it will be a new and better normal. The uncertainty

is the speed at which it does. It is important not to panic. Based on our experience, whenever everyone gets optimistic, it is time to be fearful. Similarly, whenever everyone gets too pessimistic, as the situation seems to be now, it is time to be ready for the opposite. If I have to take a guess on when life will get back to normal, I would be more optimistic than the currently general pessimistic view. As at the time of writing this Commentary, your Fund still has about 5% of its NAV in cash. We strongly recommend investors to take advantage of the global panic to invest more and benefit from dollar cost averaging. The NAV of *i* Capital Global Fund can be viewed at either www.funds.icapital.biz or www.capitaldynamics.com.sg.

Best wishes.

Handwritten signature in Chinese characters: 陳鼎武

Tan Teng Boo
Director
Capital Dynamics (S) Private Limited
30th May 2020

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31 January 2020

For the financial
period from 1
November 2019 to 31
January 2020
US\$

Investment Income

Dividend income

-

Total investment income

-

Expenses

Management fees

69,750

Administrative & custodian fees

53,716

Professional fees

5,519

Other expenses

15,221

Total expenses

144,206

Net investment loss

(144,206)

Gain/(loss) on investment and foreign currency transactions

Net realised gain on securities transactions

29,220

Net change in unrealised gain on securities transactions

493,814

Net loss on foreign currency transactions

(3,493)

Net gain on investment and foreign currency transactions

519,541

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

375,335

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 January 2020

| | 31 January 2020 US\$ |
|---|--------------------------|
| Assets | |
| Cash and cash equivalents | 388,559 |
| Investments in securities, at fair value (cost US\$ 23,001,670) | 17,454,095 |
| Other receivables | 540 |
| Total assets | <u>17,843,194</u> |
| Liabilities | |
| Redemption Payable | - |
| Management fee payable | 22,263 |
| Other payables | 33,185 |
| Total liabilities | <u>55,448</u> |
| Net assets attributable to the shareholders of the Fund | <u><u>17,787,746</u></u> |
| Net assets attributable to: | |
| Participating shares | 17,787,736 |
| Management shares | 10 |
| Net assets attributable to the shareholders of the Fund | <u><u>17,787,746</u></u> |
| Net asset value ("NAV") per participating share | |
| Based on 17,811 participating shares outstanding (October 2019: 18,343) | <u><u>998.69</u></u> |

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

For the financial period ended 31 January 2020

For the financial
period from 1
November 2019 to
31 January 2020
US\$

| | |
|--|-------------------|
| Net change in net assets attributable to holders of participating shares resulting from operations | 375,335 |
| <hr/> | |
| Capital transactions | |
| Redemption of participating shares during the financial period | (559,697) |
| Net change in net assets attributable to holders of participating shares resulting from capital transactions | (559,697) |
| <hr/> | |
| Net change in net assets attributable to holders of participating shares for the period | (184,362) |
| Net assets attributable to holders of participating shares at beginning of period | 17,972,098 |
| <hr/> | |
| Net assets attributable to holders of participating shares at end of period | 17,787,736 |

STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31 January 2020

For the financial period
from 1 November 2019
to 31 January 2020
US\$

Cash flows from operating activities

Net change in net assets attributable to holders of participating shares resulting from operations 375,335

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 (2,098,992)

Dividends receivable -

Other receivables 575

Management fee payable (68,198)

Other payables (447,718)

Redemption payable (188,276)

Net cash flows used in operating activities (2,427,274)

Cash flows from financing activities

Redemption of participating shares (559,697)

Net cash flows used in financing activities (559,697)

Net change in cash and cash equivalents for the period (2,986,971)

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

Cash and cash equivalents at the end of the period 388,559

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31 January 2020

| | Holdings as at 31-Jan-20 No. of Shares | Fair Value as at 31-Jan-20 US\$ | Percentage of total net assets attributable to shareholders at 31-Jan-20 % |
|---|---|--|---|
| BUILDING PRODUCTS | | | |
| PANARIAGROUP INDUSTRIE CERAM | 425,721 | 603,884 | 3.39 |
| CAPITAL MARKETS | | | |
| K2 ASSET MANAGEMENT HOLDINGS | 249,834 | 7,192 | 0.04 |
| DIVERSIFIED CONSUMER SERVICES | | | |
| OVERSEAS EDUCATION LTD | 5,791,800 | 1,421,535 | 7.99 |
| HOTELS, RESTAURANTS & LEISURE | | | |
| REXLOT HOLDINGS LTD | 53,875,000 | 145,705 | 0.82 |
| INTERNET & DIRECT MARKETING RETAIL | | | |
| ALIBABA GROUP HOLDING | 18,000 | 3,718,620 | 20.91 |
| MACHINERY | | | |
| PFEIFFER VACUUM TECHNOLOGY | 12,000 | 1,982,792 | 11.15 |
| ZHENGZHOU YUTONG BUS CO -A | 940,000 | 2,140,433 | 12.03 |
| MEDIA | | | |
| PICO FAR EAST HOLDINGS LTD | 6,231,000 | 1,685,160 | 9.47 |
| REAL ESTATE MANAGEMENT & DEVELOPMENT | | | |
| CHINA NEW TOWN DEVELOPMENT | 15,222,650 | 296,027 | 1.66 |
| UOL GROUP LTD | 275,400 | 1,610,148 | 9.05 |
| SEMI CONDUCTOR | | | |
| IPG PHOTONICS CORPORATION | 6,500 | 829,855 | 4.67 |
| SPECIALTY RETAIL | | | |
| HOUR GLASS LTD/THE | 1,503,200 | 848,021 | 4.77 |
| TRADING COMPANIES & DISTRIBUTORS | | | |
| PAN-UNITED CORP LTD | 3,397,800 | 908,636 | 5.11 |
| TRANSPORTATION INFRASTRUCTURE | | | |
| GUANGDONG PROVINCIAL EXPR-B | 1,628,280 | 1,256,088 | 7.06 |
| | | 17,454,095 | 98.12 |

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to Jan 2020, the *i* Capital Global Fund performance is -0.01% per annum, as opposed to 2.53% per annum for the MSCI ACWI. From 1 May 2007 to 31 Jan 2020, funds under CDPL's management achieved a return of 0.76% per annum, underperforming the MSCI ACWI which in that period recorded 3.88% per annum.

The Fund's performance for the *i* Capital Global Fund as at 31 Jan 2020 is shown below:

Performance as at 31 Jan 2020 (%)

| (US\$) | ICGF | MSCI ACWI |
|-------------------|-------|-----------|
| Cumulative * | -0.13 | 36.93 |
| Annualised Return | -0.01 | 2.53 |

* Cumulative Returns are measured since inception.

(Note: Information is current as at 31 Jan 2020.)

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. 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 Jan 2020, CDAM achieved a net compound return of 11.23% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year except in year 2005, 2009, 2012, 2013 and 2018 which gained 4.23% 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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INDEPENDENCE * INTELLIGENCE * INTEGRITY

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