i Capital Global Fund

Q4

Annually Investment Report

For the period 2 May 2020 to 30 April 2021

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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 Nadzari Yusof Norzan
Investment Manager	Capital Dynamics (S) Private Limited 112 Robinson Road #11-02 Robinson 112 Singapore 068902 Tel. No. : 62248055/56/58 Fax No. : 62248057 Email: cdpl@icapital.biz Web site: www.capitaldynamics.com.sg
Registered Office of the Fund	Vistra (Cayman) Limited P.O Box 31119 Grand Pavilion Commercial Centre 802 West Bay Road 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 annual performance review of the *i* Capital Global Fund for the financial year ended 30 April 2021. From 2 May 2020 to 30 April 2021, the net asset value (NAV) of the *i* Capital Global Fund (ICGF) increased US$165.537 from US$879.619 to US$1,045.156, or a gain of 18.82%. In the same period, the MSCI All Country World Index (MSCI ACWI) increased 43.47%. Undergoing the road of recovery, we remain confident that the NAV of *i* Capital Global Fund will continue to climb steadily from its low of US$825.608 reached in March 2020. We are still recommending investors to subscribe for more ICGF shares.

MARKET REVIEW AND OUTLOOK

A TEMPORARY SETBACK

Since early 2020, we have deployed our new value investing philosophy as explained in our past commentaries. One of the stocks that we identified under this philosophy and invested in was Alibaba. For the greater part of 2020, this worked out very well. By the end of October 2020, your Fund had around US$5.484 mln worth of Alibaba, against a cost of around US$3.574 mln. However, by 26 August 2021, its value had shrunk to US$2.974 mln or a drop of US$2.51 mln. The plunge in Alibaba's value has contributed the most to the drag in the NAV of your Fund.

Should we sell Alibaba shares or hold on to them? Let us first examine the reasons why the share price of Alibaba has dropped this much.

In response to various measures implemented by the Chinese government, the stock markets of Shanghai, Shenzhen and Hong Kong have recently been hit by panic selling. The sell down first began with Alibaba. Initially, investors thought the action was specifically directed at Alibaba and Ma Yun aka Jack Ma. However, when other measures were announced, the panic selling then quickly spread to other tech companies like Tencent, JD.com, Baidu, food delivery platform Meituan, agriculture-focused technology platform Pinduoduo, ride-hailing firm Didi, and to other sectors like Chinese private education, online gaming, healthcare, insurance platforms and others. Pretty soon, the selling hysteria reached such heights of absurdity that no sector seemed safe from it, leading investment professionals to warn against buying Chinese stocks *in toto*. Should one sell Chinese stocks ? Should one avoid them ? Or should one invest in them regardless ?

An excellent way to understand investing in China is to use my value investing with bamboo characteristics philosophy to explain what is happening.

One must understand China and the government's policies in order to invest in the country. The present doubts in the market are mainly focused on the recent series of rectification actions and the industry regulatory policies introduced by the Chinese government. In fact, to properly understand the current regulatory policies aimed at various sectors of China's economy, a good place to start with are Xi Jinping's thoughts on China's economic and social development. This will certainly help investors grasp the rationale of the present crackdowns and from that, whether one should avoid or invest in Chinese stocks.

In an important 26 May 2014 speech, President Xi said: *"We should let the market play the decisive role in allocating resources, while allowing the government to better perform its functions. This is a theoretical and practical issue of great importance. A correct and precise understanding of this issue is very important to further the reform and promote the sound and orderly development of the socialist market economy. We should make good use of the roles of both the market, the "invisible" hand, and the government, the "visible" hand. The market and the government should complement and coordinate with each other to promote sustained and sound social and economic development."*

Source: "The 'Invisible Hand' and 'Visible Hand", The Governance of China, Volume 1, Xi Jinping

Why is this speech important ? To drive China's social and economic growth and development after 1949, Mao Zedong relied on the State or government – the visible hand. As part of the Reform and Opening-up era, Deng Xiaoping mainly relied on the market and private sector – the invisible hand.

The approaches of both Mao and Deng produced great achievements.

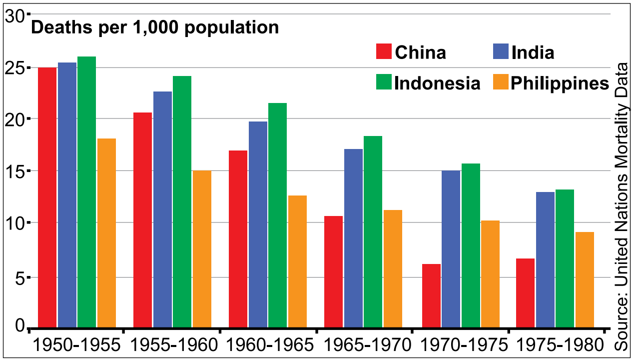
Mao Zedong

Few people know or remember that Communist China, from 1950–1978, was under the most severe American peacetime embargo in world history. Even food was embargoed, along with finance, technology and international recognition. Despite the massive embargo from the US and her allies, Communist China, which in 1950 had an industrial base smaller than that of Belgium in the 1950s, has by 1978 become, even before the Reform and Opening Up era, one of the six largest industrial producers in the world. The so-called failed Great Leap Forward actually laid the foundations for China's subsequent modern industrialisation. China's national income expanded 500% from 1950 to 1978, from RMB60 bln to RMB300 bln. On a real per capita basis, it increased from 120 in 1950 to 440 in 1978 on an index basis.

Except for limited and conditional Soviet aid in the 1950s, which Communist China repaid in full and with interest by 1966, Communist China's industrialisation and development under Mao Zedong proceeded without the benefit of foreign loans or investments as well as being under punitive embargoes from the United States. China under Mao Zedong and the CPC succeeded all these without incurring foreign debt or generating runaway inflation.

At the same time, China's death rate was improving invariably under Chairman Mao (**figure 1**). From around 25 per 1,000 people in the early 1950s, it plunged

Figure 1 Death Rates Under Mao Zedong



to around 6 per 1,000 in the early 1970s. Chairman Mao died in 1976. In 1950, China's population was around 554 mln. By 1975, it was around 926 mln people. A starving China under the supposed disastrous policies of Mao Zedong, which we are supposed to believe in, would not have seen an absolute increase of 372 mln people (in 2020, wealthy and democratic US has only 331.5.mln people). At a death rate of 25 per 1,000 people, China would have seen 13.85 mln deaths in 1950. By 1975, with a death rate of 6 per 1,000 people, China would have seen only 5.56 mln deaths in 1975. Mao Zedong saved more than 8 mln people PER YEAR.

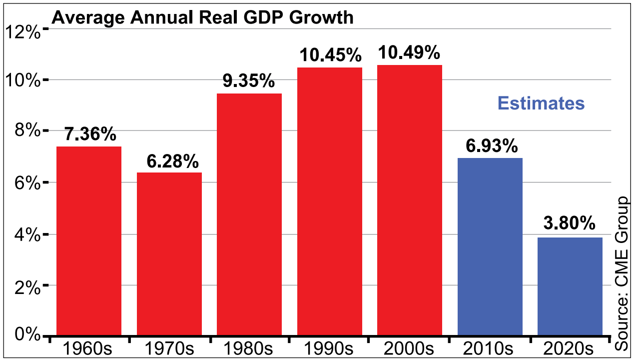
When Mao died in 1976, the imperialists and invaders, bandits and warlords were gone, the population had doubled, literacy was 84%, wealth disparity had disappeared, electricity reached poor areas, infrastructure was restored, the economy had grown 500%, drug addiction was a memory, women were liberated, girls were educated, crime was rare, everyone had food and shelter, life expectancy was sixty-seven and, by several key social and demographic indicators, China compared favourably with middle-income countries whose per capita GDP was five times greater.

<u>Deng Xiaoping</u>

Deng Xiaoping is one of the most brilliant political economic thinkers in the world. He combined market-based economic development with communism, forming a kind of socialism with Chinese characteristics. From 1978 to 2020, China's annual average growth was nearly 10% (**figure 2**). That is the fastest economic growth ever recorded by any country.

Since 1981, 853 mln Chinese have been lifted out of poverty, according to the UN or 76% of all people lifted out of poverty worldwide from 1981 until now. China's child mortality is 9 per thousand. If India had

Figure 2 China Real GDP by Decade



the same score as China, 680,000 fewer Indian children would die each year. Wages in China have been rising while they have been stagnating or declining in many countries. Between 1978 and 2015, the income of the 50% poorest Chinese rose by 400%, while in the US it fell by 1 % during that period. Remarkable progress has also been made in a very wide area of technology and science. In 2018, China overtook the US in the number of scientific publications; in 2019, this was the case for the number of patents. China's GDP surpassed that of Italy in 2000, France in 2005, the United Kingdom in 2006, Germany in 2007, Japan in 2010 and that of the Eurozone in 2018. The heightened incessant and ridiculous attacks on China, first by Obama, then Trump and now Biden, is perhaps the best testimony of China's economic achievements in the last 4 decades. The US has identified the People's Republic of China as her main enemy.

<u>Xi Jinping</u>

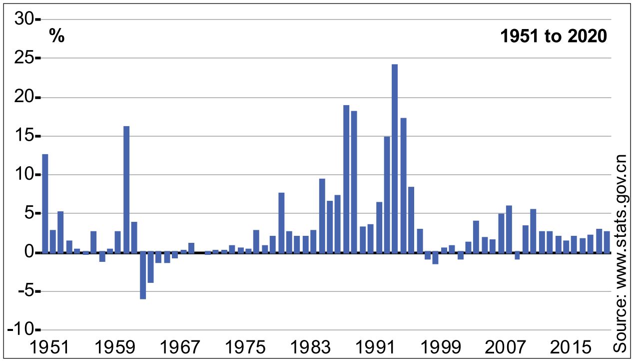
While the contrasting approaches of Mao and Deng have produced great achievements for China, serious shortcomings of each approach were created as well.

To address these serious shortcomings, Xi is relying on both the market and the government. State-owned enterprises and private enterprises *"should complement and coordinate with each other to promote sustained and sound social and economic development."*

Deng's economic reform policies of allowing private ownership of business, embracing a freer market system and lesser emphasis on central planning, and opening the Chinese economy to international trade and investment were in stark contrast to the Soviet-influenced socio-economic policies of Mao Zedong. Deng's economic reform policies, which tantamount to a form of economic revolution in China's context, can be seen as a necessary part of dialectical materialism - *There is nothing that does not contain contradiction; without contradiction nothing would exist.* Deng's economic reforms morphed communism in China from its pure Maoist form into a form of communism with many economic characteristics of a free market economy typically found in developed nations.

Before 1978, inflation was never a problem in China except for 1961, which was centred on 3 years of serious natural disasters (**figure 3**). The West will tell you it was due to the failures of the Great Leap Forward but in mid-1959, the Huang He flooded, causing thousands of drownings and ruined crops. Almost 100 mln acres of agricultural land were rendered useless. These floods were followed by a wave of further disasters: droughts, severe heat, more floods, typhoons, diseases and insect infestations. In 1959, drought caused significant crop failures in Shaanxi (where output declined by more than 50%) and Hubei (where it fell by 25%). The following year, Shanxi, Hebei, Shandong and Henan provinces suffered prolonged droughts, with their production falling by more than half. China's southern and coastal provinces also endured 11 major typhoons. In 1961, the northern provinces again suffered months of drought, while those in the south endured more flooding.

Figure 3 China's Inflation Rate



However, the situation changed dramatically after the 1978 Reform and Opening-up era (**figure 3**). China's inflation rate started to rise dramatically. By 1980, it surged to 8%; by 1985, it has risen to 9.3%. In 1988, China's inflation rate became hyperinflation as it hit a frightening 18.8%. 1989 was no better with a destructive rate of 18%. By 1989, China's economy was overheating and was already experiencing a serious hyperinflation problem. Why was the runaway inflation in the 1980s a major shortcoming of Deng's reform policy ? History has shown governments all over the world have been toppled and economies turned topsy-turvy by rising inflation. No government, not even the CPC, can withstand rising inflation, let alone one which was hitting 18% and above for 2 consecutive years. This is the type of inflation where many developing countries failed to successfully tackle, and subsequently leading to political chaos and economic stagnation.

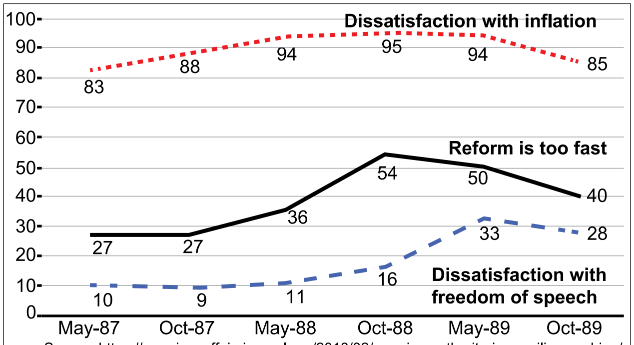
Do a Google search about the 1989 Tiananmen event. The biased results will show you that the event was a pro-democracy movement. Like most stuff from the Western media and politicians, the truth about China is vastly different. The 1989 Tiananmen event was essentially a protest against rising inflation.

As China opened up, government officials and scholars realised the importance of collecting scientific data on public opinion. In May 1987, the Economic System Reform Institute of China (ESRIC) conducted the first public opinion survey using a national probability sample based on China's urban population. The ESRIC was set up as a think tank by then prime minister Zhao Ziyang. Concerned about public intolerance and political instability, he ordered ESRIC to carry out biannual urban surveys to monitor the public mood during China's transition from state planning to market capitalism. The ESRIC conducted six urban surveys in May and Oct of 1987, 1988, and 1989. While analysing the survey data, the leader of the survey team observed rapidly rising public dissatisfaction with inflation, unemployment, social morale, and government inefficiency. Survey research has mushroomed quickly in China since the 1990s. In the 2018 research titled "The 'Surprise' of Authoritarian Resilience in China by Tang Wenfang, chair professor in the Division of Social Science at Hong Kong University of Science and Technology, professor Tang discovered that the Tiananmen protest was actually not a pro-democracy movement. To quote him :

"Public dissatisfaction with inflation, unemployment, social morale, and government inefficiency skyrocketed during the peak of the urban protests in spring 1989, but the majority of urban residents in October 1988 (54 percent) thought that market reform was going "too fast," and such "anti-reform" attitudes closely echoed the rise of inflation during the same time. In the meantime, public demand for liberal democratic ideas such as freedom of speech and freedom of the press never surpassed 33 percent, even in May 1989."

Dissatisfaction with inflation, a major socio-economic consequence of Deng's reform, was very high (**figure 4**). This consequence has serious political consequences as the experience of many countries and China's own historical experience have repeatedly shown. Associated with this dissatisfaction was dissatisfaction with the pace of Deng's reform – too fast/too slow. At the same time, dissatisfaction with freedom of speech was not a serious grievance, a fact which the Western media and politicians have chosen to ignore.

Figure 4 Social Reaction to Market Reform in Urban China (Weighed %)



Source: https://americanaffairsjournal.org/2018/02/surprise-authoritarian-resilience-china/

Other than runaway inflation, the other serious shortcomings in relying too much upon the private sector as an engine of China's economic growth and development also include widening and escalating corruption, rapid deterioration in the environment, and worsening inequality between urban and rural, regions and industries.

The 19th National Congress

In a three-and-a-half hour address in the opening session of the 19th National Congress, delivered on 18 Oct 2017, president Xi Jinping gave a succinct introduction to China's roadmap for the future. This important speech was titled “Secure a decisive victory in building a moderately prosperous society in all respects.”

In the said congress, the CPC enshrined Xi’s name and ideas, that is, the *“Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era”*, into the party constitution. A key aspect of the “New Era” is to give equal weight to two previous eras – that of Mao Zedong and that of Deng Xiaoping’s reform. Based on my interpretation, this is to deal with the shortcomings of the Reform and Opening-up era. Xi has strengthened the CPC’s role by tightening ideological control and reviving Maoist and Marxist principles within China. The “New Era” ideology was set to have a significant impact on China’s policymaking. The current crackdowns on various listed companies have to be seen in this context. Over the long term, there is nothing to worry about as they are meant to correct the many excesses arising from Deng’s era even though there will be short-term bumps. If the listed company is well managed, the long-term business opportunities from China’s development will be immense and the company will have plenty of opportunities to profit from them. The current crackdown is not meant to revert to Mao’s era but rather to bring the Chinese economy and society back to equilibrium. As Xi said in 2014, *“The market and the government should complement and coordinate with each other to promote sustained and sound social and economic development.”* Xi’s ideology will ensure that the contradictions arising from Mao’s approach and from Deng’s approach will be resolved.

Mao’s approach was characterised by the contradiction between the proletariat and the bourgeoisie, and centred on class struggle. The principal contradiction under Deng was *“between the ever-growing material and cultural needs of the people versus backward social production”*.

The CPC has largely solved the problem of “backward social production.” The 19th National Congress concluded that the main contradiction of the New Era was *“between unbalanced and inadequate development and the people’s ever-growing needs for a better life”*. Unbalanced and inadequate development is said to be the root of social conflict and other problems that limit China’s future development. From the perspective of social demand and production, China will soon reach her aim of already achieving a “moderately prosperous society”. However, simply satisfying the population’s “need for a material culture” has become insufficient. The most salient challenges are the regional imbalances and structural flaws in development, as well as the people’s increasing *“demands for democracy, the rule of law, fairness and justice, security, and a better environment”*. Hence, the change of the principal contradiction mirrors the leadership’s acknowledgment of the fact that society has become more diverse and fractured, demanding a set of public goods that are more difficult to measure and produce than those of the past. Striving to “see that each and every child has fair access to good education” entails a shift from “having a school” to “having a good school”, thereby ensuring that nobody is left behind and that all children have equal opportunities. The need for a better spiritual life is also addressed as the people are demanding better movies, television shows, books, and plays. Overall, there was a shift from quantity to quality. GDP growth alone is no longer sufficient. Only through *“well-rounded human development and all-round social progress”* designed and coordinated by the CPC can the contradiction be resolved.

Very recently, China’s president Xi Jinping has again emphasised at a finance and economic meeting the need for “common prosperity” for all. The meeting called for the *“reasonable adjustment of excessive incomes and encouraging high income groups and businesses to return more to society”*.

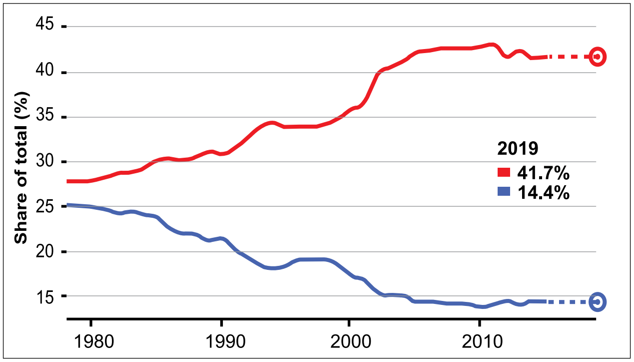
The policy objective of "common prosperity" cannot be seen isolation and needs to be understood in the context of the policy bias of Mao Zedong and Deng Xiaoping, set against the political philosophy of Maoism and later socialism with Chinese characteristics.

"Common prosperity" does not mean prosperity for just a few and is also certainly not going back to egalitarianism practiced during Mao's time. It is not fairly dividing a cake which does not grow in size. It is sharing an expanding cake in a more equitable manner. "Common prosperity" refers to affluence, in material and cultural terms, to be fairly shared by everyone. Instead of revolutionary type of distribution, progress towards achieving "common prosperity" shall advance step by step; progress toward the goal would occur in stages and gradually. The Chinese government will most certainly implement this well-publicised objective in a very pragmatic manner. In fact, it has already been implemented in Zhejiang province based on China's famous step-by-step experimental basis. The Chinese government and CPC are well aware of the adverse impact of redistribution policies on the Chinese economy.

As part of this policy, the Chinese government will deal with the relationship between efficiency and fairness, expand the size of the middle-income group, increase the earnings for the low-income groups, adjust excessive incomes and prohibit illicit income to promote social fairness and justice. In many senses, such objectives are very similar to the social democrats in some Europe countries.

Income inequality among China's 1.4 billion people has worsened over the last few decades, ever since the era of Reform and Opening-up (**figure 5**). The income share of the top 10% (red line) has grown substantially while that of the bottom 50% (blue line) has fallen dramatically. Not tackling such a development will lead to serious social contradictions, which will generate social and political instability, as has been witnessed in many other countries.

Figure 5 Income Inequality, China, 1978-2019



As the Chinese government has eliminated extreme poverty, achieving the "common prosperity" objective next will actually benefit the middle and lower-income segments of the Chinese economy and therefore the entire Chinese economy. Besides narrowing the urban-rural gap, gaps across regions and different industries, this policy will actually boost domestic private consumption. From a socio-economic standpoint, achieving the "common prosperity" objective is broadly similar to what the European social democrats have been striving for.

Xi Jinping, general secretary of CPC Central Committee, has repeatedly emphasised the need to promote "common prosperity" or moderate wealth for all, in contrast to the country's growing income inequality. This contrasts with Deng's era of ensuring that some "get rich first."

The CPC aimed to secure *"a decisive victory in building a moderately prosperous society"* by 2020 (which it has achieved despite the Covid-19 pandemic), and to develop China into a *"great, modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful"* by 2049. However, Xi Jinping introduced an intermediate target of 2035. This envisages the *"basic realisation of socialist modernisation, with a view to breaking down the abstract vision of the two centenary goals"* into a concrete work plan.

The 2049 target is not made up of mere empty words. Achieving this will ensure that China becomes what I have described as an advanced civilisation, the first in world history. To build a "great, modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful" would not only need sustained economic growth and development, it will also require the Chinese people to become "superior" people in the Confucian moral sense (*junzi* (君子), as opposed to being an "inferior" person or *xiaoren* (小人). China's introduction of her social credit system needs to be viewed in this context. Jaywalking, playing music too loud, not taking care of your aging parents, etc would make a person lose social credit points. If the person's social credit points become too low, he cannot buy a plane ticket or become a civil servant, for example. The Chinese term for a Moderately Prosperous Society is *xiaokang* (小康). The term originally appeared in the Book of Rites, a Confucian classic. According to Confucius's account, *xiaokang* was a rather selfish society. However, Confucius saw *xiaokang* as a precursor to *datong* (大同), the Great Unity, an ideal society where the Great Way prevails — a society so filled with trust that "people don't lock their doors at night." Kang Youwei, the reformer of the late Qing dynasty, recaptured the ideal in his work *Datong-shu*, the Book of Great Unity. Mao Zedong was a fan of this work because Kang basically equated the ancient ideal of *datong* to the modern ideal of communist utopia. When Deng chose the term *xiaokang* as a social vision of China, it was meant to be an interim vision before the CPC could go back to its mission of realising *datong*. Over the years the term *xiaokang* has come to encompass not only material prosperity but aspects of social justice and environmental protection. The term is being constantly expanded upon. I strongly believe that Xi Jinping is getting China ready to progress in realising *datong*, which would truly make China an advanced civilisation.

For China, Mao created equality with dignity. Deng created wealth with pride. Xi Jinping is creating wealth with equality and morality or "common prosperity". With all the contradictions, each great leader took charge of the People's Republic of China at the right time. This is one of the "silent" strategic successes of the CPC.

<u>So, should one invest in China Now ?</u>

We have written a lot and covered many subjects in this special quarterly Commentary. How should investors tie all these together, especially in relation to the recent panic selling seen in selected Chinese stocks ?

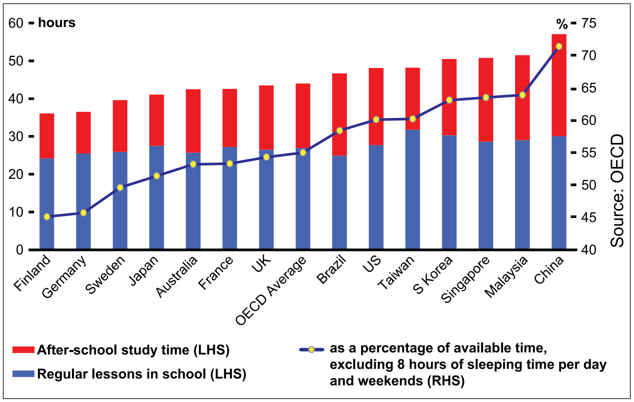
The first message to investors is not to panic sell. There is too much fear and worry that have no justification. In fact, one should do the opposite as it is an excellent time to invest. Why?

Xi Jinping is not taking China back to the days of Mao's economic ideology. State-owned enterprises will co-exist with private enterprises (just like DBS co-exists with OUB in Singapore). The government will still play a major role in driving the economy and this has been the same for the US, Japan, Germany, the UK, etc. Where will the pandemic-struck economies of US, UK, Japan, Germany be without the aggressive role of the government ? At the same time, Xi Jinping is rightfully concerned with the excesses or contradictions created by Deng's reform. Creating a few billionaires to the detriment of a mass majority of consumers and small businesses is unhealthy. If left unchecked, they will eventually destroy China's economy. The crackdowns, whether against the Chinese tech giants, the private education companies, food delivery companies like Meituan, ride hailing firm Didi, and more are meant to ensure that the Chinese economic system is not brutally exploitative as American capitalism, where the winner takes all (just watch Amazon.com destroys many businesses).

Housing, medical and education costs are the new "*Three mountains*" suffocating Chinese families and crowding out their consumption; the 'old' 3 mountains refer to imperialism, feudalism, and capitalism. In China, public health is seen as a human right, not as a source of profit for private enterprises and their owners and bosses. In China, the Covid-19 pandemic was contained within a few short months, with fewer than 4,700 deaths in a country of 1.4 bln people. The contrast with the United States, where a capitalist health care system and a bourgeois state allowed the novel coronavirus to spread freely and kill over 636,000 people out of a population of around 331 mln could not be clearer. A 2019 survey from recruitment firm 51job Inc showed nearly 40% of parents spent 20-30% of their income on their children's education. Private tutoring companies took advantage of Chinese parents' willingness to pay whatever price necessary to give their children a good education. It was so profitable that investors could get a 5-fold return from education companies, regardless of the economic environment. However, the profit earned by a few came at a huge cost and burden for millions of Chinese families. The new policy forced after-school tutoring companies to become non-profit, and banned investment from foreign capital. After researching the private education sector in China for many years, and realising that education is one of China's new 3 mountains, I decided not to invest in these companies. I have met New Oriental Education & Technology Group 8 to 9 years ago and did not invest. The stringent new rules, which ban companies from offering tutoring related to the school syllabus on weekends or during vacations among other things, are intended to bring down high education costs that were preventing families from having more children and to reduce the long hours which are taking a toll on the children's development.

Chinese students spent an average of 27 hours per week studying after school vis-à-vis an average of 17 hours for students in the OECD countries (**figure 6**). Consequently, Chinese students spent more than 70% of their available time (available time is defined as total hours per week less 8 hours of sleeping time per day and weekends) learning, leaving them with little time for other activities. The corresponding percentages for Finland and UK were 45% and 54% respectively. Even when compared with other Asian countries such as

Figure 6 Learning Time Per Week



South Korea and Japan which are well-known for their strong emphasis on hard work and education, students in China still out-spend their peers in the two East Asian neighbours in terms of studying hours. A PISA study also found that Chinese students are given the largest amount of homework, with an average of 14 hours a week compared with six hours in the US and three in Finland. The heavy burden of schoolwork and the stressful school life have given rise to some serious social problems which if not effectively addressed could jeopardise China's long-term development.

The children spent so much time studying that their long hours put China's 996 working culture to shame (996 working culture refers to working 9 am to 9 pm, 6 days a week). South Korea and Singapore are also experiencing the same problems.

There are roughly 139 mln small businesses in China. Small businesses are often talked about at government meetings that discuss their operating difficulties and the government's efforts to help them. However, small businesses surveyed revealed worsening conditions for a second-straight month, while large businesses said they saw slight growth. Small businesses welcomed the measures taken against tech companies like Alibaba, Tencent, Meituan, Pinduoduo, JD.com and others.

The latest regulatory crackdown across a wide spectrum of the Chinese economy has focused on limiting monopolistic practices, increasing data protection, encouraging more births, having healthier habits (no 'spiritual opium' for teens or less demanding studying hours and more balanced education, for example) and behaving appropriately and morally (earlier this year, a former vice-president of Kuaishou was arrested for alleged corruption, while Tencent Holdings said one of its company executives was being investigated by authorities over allegations of "personal corruption". Alibaba Group, which part owns Weibo, faced backlash over a delayed response relating to an employee's allegations of sexual assault against her manager and a client).

The crackdowns benefit the masses at the cost of the richest and the elite groups, which is a way of achieving common prosperity and is part of a very long process to build a "*great, modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful*" by 2049. Do not forget that socialism and communism are systems of abundance, within which the wealth socially produced will be distributed according to labour and need.

In the process, the Chinese economy will be greatly strengthened and expanded. The present measures will boost the wealth and income of China's middle and lower income segments, which will in turn boost China's private consumption. In the longer-term, how can companies like Alibaba or Ping An Insurance not benefit ?

The measures are aimed at strengthening the sector or industry as a whole and not at specific companies. For example, the anti-monopolistic measures will affect all enterprises. Start-ups or existing competitors to Alibaba, for example, will also have to comply with these more stringent rules and regulations. In the longer-term, they will actually favour the incumbent players who already have a head start and are already well established.

Given such a well-managed country, the current panic selling in many Chinese stocks offers many attractive long-term investing opportunities. A well-managed company, fully cognisant of its many societal responsibilities, will be able to prosper and grow in a China that will be developing robustly and healthily for a very long time to come.

The drag on your Fund's NAV from Alibaba and Ping An Insurance, for example, will only be a temporary matter. As at the time of writing this Commentary, your Fund has around 5% of its NAV in cash.

Where are we now?

To reiterate. The *i* Capital Global Fund starting from 2020 is different from what it was in the previous few years. As we explained in the last quarter commentary (where we provided a detailed analysis of your Fund's performance since its inception) the results of our new value investing have been very encouraging. Unfortunately, the crackdown by the Chinese government has dragged our NAV down, with the gains we made from Form Factor, IPG Photonics, Krones, etc being offset by the price drops in Alibaba, Ping An, etc. However, as explained above, we see the adverse impact arising from the crackdown as temporary. We remain confident that the NAV of *i* Capital Global Fund will climb steadily from its low in Apr 2020.

As the current impact from the panic selling of selected Chinese stocks is only temporary, we again strongly recommend investors to take advantage of the global panic to invest more and benefit from dollar cost averaging. It has been many years since we last earned a performance fee. We are working very hard to improve your Fund's future return so that we can also share in this reward. The NAV of *i* Capital Global Fund can be viewed at either www.capitaldynamics.com.sg or www.funds.icapital.biz.

Best wishes.

陳鼎武

Tan Teng Boo
Director
Capital Dynamics (S) Private Limited
26th August 2021

FUND PERFORMANCE 1

Figure 7 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. Between 6 July 2007 and 30 April 2021, the NAV of the *i* Capital Global Fund gained 4.52% from US$1,000.000 to US$1,045.156 per share. In the same period, the MSCI ACWI increased 72.03%.

Figure 7 ICGF NAV vs MSCI ACWI

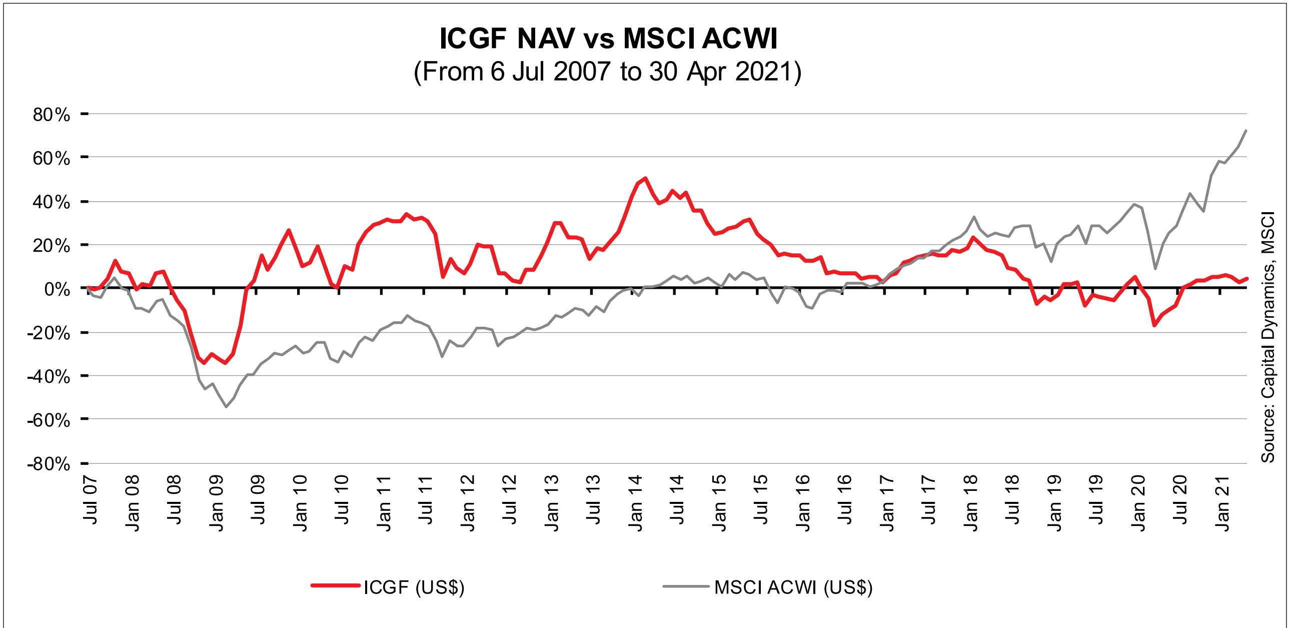


Table 1 Cumulative Total Return and Compound Return

	Cumulative Total Return (%)			Compound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICGF (US$)	18.82%	1.90%	4.52%	0.32%
MSCI ACWI (US$)	43.47%	33.72%	72.03%	4.00%

FUND PERFORMANCE 2

Table 2 Top 5 holdings as at end of April 2021 (in US$).

	69.98%
ALIBABA GROUP HOLDING	25.62%
KRONES AG	16.14%
POLARIS INDUSTRIES INC	10.70%
PING AN INSURANCE GROUP CO-H	9.77%
CONCORD NEW ENERGY GROUP LTD	7.75%

Table 3 Top 5 performing stocks in local currency from 2 May 2020 to 30 April 2021.

	Quarter ending 30 April 2021 (% of change)
K2 Asset Management Holdings	138.24%
China New Town Development	39.37%
Concord New Energy Group Ltd	29.62%
Pico Far East Holdings Ltd	23.42%
Krones AG	20.70%

The portfolio of your Fund is spread across 12 companies that are engaged in a wide range of business activities.

The top 5 investments as at 30 April 2021 were Alibaba Group Holding, Krones AG, Polaris Industries Inc, Ping An Insurance Group Co-H and Concord New Energy Group Ltd. They made up 69.98% of the total assets. At the end of April 2021, your Fund had 5.46% of its NAV in cash.

The table above presents the top 5 performing stock your fund held at sometime within the referenced quarter. The stocks do not necessarily need to be bought at the start of the financial year (i.e. 2 May 2020), and held till the end of the financial year (i.e. 30 April 2021). Stock performance will only be measured over the specific period that your fund held the stock in the referenced period. This means that, for example, if Krones AG was bought on 20 May 2020 and hold until 30 April 2021, its performance is only measured over 20 May 2020 to 30 April 2021 and not over the full financial year. Similarly, if it was bought on 2 April 2020 and sold on 12 April 2021, its performance is measured over the period 2 May 2020 to 12 April 2021.

FUND PERFORMANCE 3

Table 4 shows the percentage gain or loss of each company held by your Fund as at 30 April 2021. This table assumes no impact from currency movements or constant exchange rates.

Table 4 Percentage gain or loss arising from stock price changes.

Security	Average Cost (US$)	Price Apr 2021 (US$)	% Change
Overseas Education Ltd	0.29	0.21	-25.49%
Rexlot Holding	0.04	0.00	-92.56%
China New Town Development	0.04	0.02	-44.64%
Pico Far East Holdings Ltd	0.40	0.18	-55.83%
Guangdong Provincial Expr-B	0.74	0.67	-9.72%
K2 Asset Management Holdings	0.20	0.06	-68.91%
Alibaba Group Holding	198.57	230.95	16.31%
Concord New Energy Group Ltd	0.06	0.07	29.62%
Krones Ag	71.41	86.19	20.70%
China Traditional Chinese Medi	0.52	0.57	11.17%
Ping An Insurance Group Co -H	12.80	10.95	-14.49%
Polaris Industries Inc	136.81	140.03	2.35%

Table 5 shows the percentage gain or loss arising from currency movements as at 30 April 2021. This table assumes no change in stock prices or constant stock prices.

Table 5 Percentage gain or loss arising from currency movements.

Security	Average Cost (US$)	Price Apr 2021 (US$)	% Change
Overseas Education Ltd	0.29	0.29	1.85%
Rexlot Holding	0.04	0.04	-0.16%
China New Town Development	0.04	0.04	-0.06%
Pico Far East Holdings Ltd	0.40	0.40	0.25%
Guangdong Provincial Expr-B	0.74	0.74	0.06%
K2 Asset Management Holdings	0.20	0.20	0.27%
Alibaba Group Holding	198.57	198.57	0.00%
Concord New Energy Group Ltd	0.06	0.06	-0.17%
Krones Ag	71.41	72.31	1.26%
China Traditional Chinese Medi	0.52	0.51	-0.18%
Ping An Insurance Group Co -H	12.80	12.79	-0.09%
Polaris Industries Inc	136.81	136.81	0.00%

Table 6 Percentage of assets held as cash.

	Equities (%)	Cash (%)	Other Liquidities (%)
End of Jan 21	84.54%	15.77%	-0.31%
End of Feb 21	95.19%	5.28%	-0.46%
End of Mar 21	94.03%	6.41%	-0.44%
End of Apr 21	94.02%	5.46%	0.52%

Table 7 Portfolio breakdown for equities by currency as at end of April 2021.

	100.00%
USD	38.63%
EUR	17.16%
HKD	42.54%
SGD	1.56%
AUD	0.10%

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to April 2021, the *i* Capital Global Fund performance is 0.32% per annum, as opposed to 4.00% per annum for the MSCI ACWI. The performance for the *i* Capital Global Fund as at 30 April 2021 is shown below:

Performance as at 30 April 2021 (%)

(US$)	**ICGF**	**MSCI ACWI**
Cumulative *	4.52	72.03
Annualised Return	0.32	4.00

* Cumulative Returns are measured since inception.
(Note: Information is current as at 30 April 2021.)

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$200 million, 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.

CDAM has been consistently reporting positive returns since its inception. Between April 1998 and April 2021, 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, 2018 and 2020 which gained 4.20% 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 information.

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.

GLOSSARY

[1]. National Congress

The National Congress of the Communist Party of China (中国共产党全国代表大会) is a party congress that is held every five years. The National Congress is the highest body within the Chinese Communist Party. Since 1987, the Congress has been held in the months of October or November.

[2]. CPC

Communist Party of China

[3] Reform and Opening-up

In 1978, Deng Xiaoping led China through comprehensive market economy reforms and an opening-up policy that has transformed China.

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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