

i Capital Global Fund



Quarterly Investment Report
For the period 1 November 2018 to 31 January 2019

CONTENTS

2	ICGF at a glance
4	Performance Review
4	Market Review and Outlook
7	Statement of Comprehensive Income (Unaudited)
8	Statement of Financial Position (Unaudited)
9	Statement of Changes in Net Assets Attributable to Holders of Participating Shares (Unaudited)
10	Statement of Cash Flows (Unaudited)
11	Schedule of Securities (Unaudited)
12	Other Information
14	Glossary
15	Notes

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
Kok Tzu Wei

**Investment
Manager**

Capital Dynamics (S) Private Limited
112 Robinson Road
#13-04 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

Apex Fund Services (Singapore) Pte Ltd

Custodian of the Fund

Deutsche Bank AG, Singapore Branch

**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 2019.

In the three months ended 31 Jan 2019, the net asset value (NAV) of the *i* Capital Global Fund increased 4.94% or US\$45.697 from US\$925.738 to US\$971.435 per share. In the same period, the MSCI All Country World Index (MSCI ACWI) ⁽²⁾ increased 1.37%.

Between 6 July 2007 and 31 Jan 2019, the NAV of the *i* Capital Global Fund lost 2.86% or US\$28.565 from US\$1,000.000 to US\$971.435 per share. In the same period, the MSCI ACWI increased 20.40%.

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.

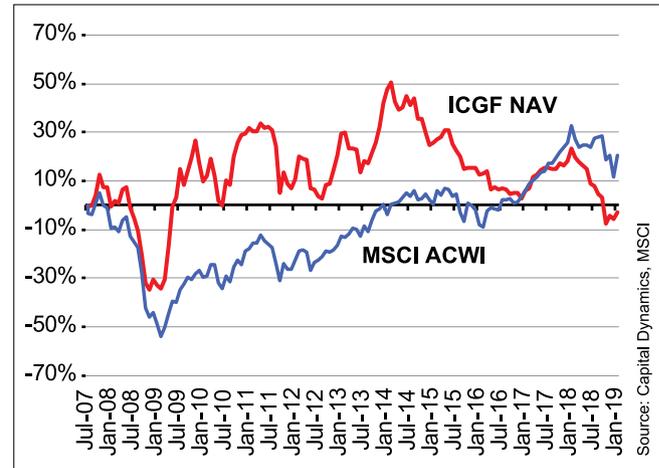
The portfolio of your Fund is spread across 11 companies that are engaged in a wide range of business activities – see the Schedule of Securities on Page 11.

MARKET REVIEW AND OUTLOOK

As we reached the middle of 2019, it is timely to pause and take stock of an astonishing confusing global situation.

Brexit was supposed to have been completed long ago. Instead, Brexit has morphed into a crisis that is a lot more complicated than when it first erupted in 2016. No one knows the solution because no one really knows what the problem is anymore.

Figure 1 ICGF NAV vs MSCI ACWI (6 JUL 2007 - 31 JAN 2019)



The top 5 investments as at 31 Jan 2019 were Pico Far East Holdings, Alibaba Group Holding Ltd, Zhengzhou Yutong Bus Co Ltd, Guangdong Provincial Expressway Development Co Ltd and Overseas Education Ltd. They made up 46.6% of the total assets. At the end of Jan 2019, your Fund had 45.90% of its NAV in cash.

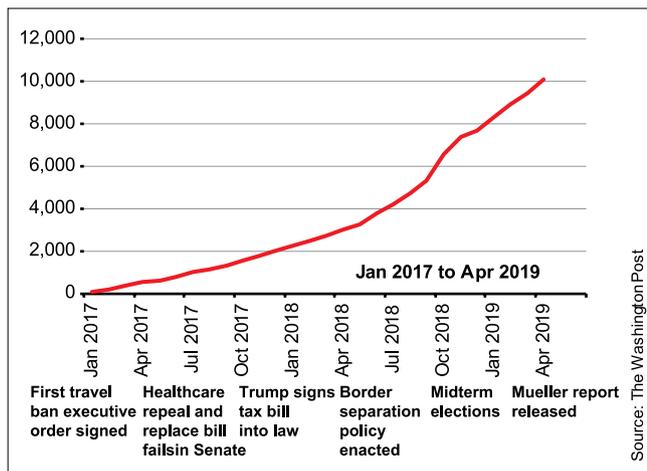
In the process, the United Kingdom has become a divided black and white geographical space. Hard Brexit seems likely.

By mid-2019, we have a Trump-led trade war that has quickly escalated beyond trade and seems set to get worse. The 2020 US election will be held in an atmosphere where the United States has openly declared war on a non-Caucasian competitor. It is

not just trade deficit; it is not just Huawei. Kiron Skinner is not the only US top official to openly call this racist war against China what it is. Ms Nazak Nikakhtar is “a little-known hardliner playing a big role in implementing the administration’s combustible international economic agenda” (source: “US trade hawk hunts bigger fish in Trump’s China battles”, www.ft.com). She is the acting head of the US commerce department’s Bureau of Industry and Security and is in favour of disentangling the US and China rather than fostering closer ties. Most worryingly, Nazak Nikakhtar is a combination of Peter Navarro, the Dagger man, and Robert Lighthizer.

In 828 days that he is in office, that is, by 27 Apr 2019, president Trump has made a humongous 10,111 false or misleading claims – see **figure 2**.

Figure 2 Number of False or Misleading Claims



US News & World Report reported in 2019 that “63% of people say that there are no longer any objective news sources they can trust, and 66% say

internet news and content is dividing people rather than uniting them. What’s more, more than 50% agree that political and social issues around the world have gotten worse over the past year.”

“Anger at political elites, economic dissatisfaction and anxiety about rapid social changes have fueled political upheaval in regions around the world in recent years. Anti-establishment leaders, parties and movements have emerged on both the right and left of the political spectrum, in some cases challenging fundamental norms and institutions of liberal Democracy” (source: www.pewglobal.org). These have led to declines in the health of liberal democracy globally.

The 2020 US election will be held in a global atmosphere where the health of democracy has been facing a steep decline. We need to remind ourselves that Trump was elected in a supposedly liberal democracy (so were Hitler and Mussolini). The combination of a trust decay in the Western media, Trump as president, toxic polarisation, hate speech, and racist policies in the US and Europe is actually the biggest threat to the health of liberal democracy all over the world, not prosperous China. Among these negative factors, the one linking all of them together and magnifying their adverse impact is Trump. To make sure that the global community does not have an instigating monster in power again, Trump has to lose the 2020 US presidential election.

The US Congress has to act and impeach US president Trump. In his first public comments, special counsel Robert Mueller said: “If we had confidence that the president clearly did not commit a crime, we would have said that.” Mueller investigated Trump and Russian meddling in the 2016 US election and has now passed the baton

to the US Congress. We need to remember that World War 1 and 2 were created by democracies in the Western powers, and the innocent rest of the world was tragically sucked in.

Your Fund has about 21% of its NAV in cash at the time of writing this commentary. The NAV of the *i*Capital Global Fund can be viewed at either www.capitaldynamics.com.sg or www.funds.icapital.biz.

Best wishes.



Tan Teng Boo
Director
Capital Dynamics (S) Private Limited
31st May 2019

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the financial period ended 31 January 2019

For the financial
period from
1 November 2018 to
31 January 2019
US\$

Expenses

Management fees	72,047
Administration and Custodian fees	18,070
Professional fees	19,405
Other expenses	666
Total expenses	110,188
Net investment loss	(110,188)

Gain on investment and foreign currency transactions

Net change in unrealised gain on securities transactions	823,257
Net gain on foreign currency transactions	192,523
Net gain on investment and foreign currency transactions	1,015,780

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

905,592

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 January 2019

	31 January 2019 US\$
Assets	
Cash and cash equivalents	8,707,391
Investments in securities, at fair value (cost US\$ 16,278,247)	10,335,663
Total assets	<u>19,043,054</u>
Liabilities	
Management fee payable	23,742
Other payables	49,340
Total liabilities	<u>73,082</u>
Net assets attributable to the shareholders of the Fund	<u>18,969,972</u>
Net assets attributable to:	
Participating shares	18,969,962
Management shares	10
Net assets attributable to the shareholders of the Fund	<u>18,969,972</u>
Net asset value ("NAV") per participating share	
Based on 19,528 participating shares outstanding (October 2018: 20,293)	<u>971.43</u>

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

For the financial period ended 31 January 2019

For the financial
period from 1
November 2018
to 31 January
2019 US\$

Net change in net assets attributable to holders of participating shares resulting from operations	905,592
 Capital transactions	
Redemption of participating shares during the financial period	(721,483)
Net change in net assets attributable to holders of participating shares resulting from capital transactions	(721,483)
Net change in net assets attributable to holders of participating shares for the period	184,109
Net assets attributable to holders of participating shares at beginning of period	18,785,853
 Net assets attributable to holders of participating shares at end of period	 18,969,962

STATEMENT OF CASH FLOWS (UNAUDITED)

For the financial period ended 31 January 2019

For the financial
period from 1
November 2018 to 31
January 2019 US\$

Cash flows from operating activities

Net change in net assets attributable to holders of participating shares resulting from operations 905,592

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	(823,257)
Other receivables	1,380
Management fee payable	230
Other payables	7,295

Net cash flows used in operating activities 91,240

Cash flows from financing activities

Redemption of participating shares (721,483)

Net cash flows used in financing activities (721,483)

Net change in cash and cash equivalents for the period (630,243)

Cash and cash equivalents at the beginning of the period 9,337,634

Cash and cash equivalents at the end of the period 8,707,391

SCHEDULE OF SECURITIES (UNAUDITED)

As at 31 January 2019

	Holdings as at 31-Jan-19 No. of Shares	Fair Value as at 31-Jan-19 US\$	Percentage of total net assets attributable to shareholders at 31-Jan-19 %
BUILDING PRODUCTS			
PANARIAGROUP INDUSTRIE CERAM	146,503	275,235	1.45
CAPITAL MARKETS			
K2 ASSET MANAGEMENT HOLDINGS	249,834	17,287	0.09
DIVERSIFIED CONSUMER SERVICES			
OVERSEAS EDUCATION LTD	5,791,800	1,291,659	6.81
HOTELS, RESTAURANTS & LEISURE			
REXLOT HOLDINGS LTD	53,875,000	144,182	0.76
INTERNET & DIRECT MARKETING RETAIL			
ALIBABA GROUP HOLDING	12,000	2,021,880	10.66
MACHINERY			
ZHENGZHOU YUTONG BUS CO -A	940,000	1,624,199	8.56
MEDIA			
PICO FAR EAST HOLDINGS LTD	6,231,000	2,318,704	12.22
REAL ESTATE MANAGEMENT & DEVELOPMENT			
CHINA NEW TOWN DEVELOPMENT	15,222,650	382,174	2.01
TRADING COMPANIES & DISTRIBUTORS			
PAN-UNITED CORP LTD	2,299,500	401,712	2.12
TRANSPORTATION INFRASTRUCTURE			
GUANGDONG PROVINCIAL EXPR-B	1,999,980	1,580,236	8.33
XINGHUA PORT HOLDINGS LTD	2,299,500	278,395	1.47
		10,335,663	54.48

OTHER INFORMATION

About *i* Capital Global Fund

From its inception in July 2007 to Jan 2019, the *i* Capital Global Fund performance is -0.25% per annum, as opposed to 1.62% per annum for the MSCI ACWI. From 1 May 2007 to 31 Jan 2019, funds under CDPL's management achieved a return of 0.01% per annum, underperforming the MSCI ACWI which in that period recorded 3.13% per annum.

The Fund's performance for the *i* Capital Global Fund as at 31 Jan 2019 is shown below:

Performance as at 31 JAN 2019 (%)

(US\$)	ICGF	MSCI ACWI
Cumulative *	-2.86	20.40
Annualised Return	-0.25	1.62

* Cumulative Returns are measured since inception.

(Note: Information is current as at 31 Jan 2019.)

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.

CDAM has been consistently reporting positive returns since its inception. Between April 1998

OTHER INFORMATION

and Jan 2019, CDAM achieved a net compound return of 12.70% per annum and has substantially outperformed the Kuala Lumpur Composite Index every year except in year 2005, 2009, 2012, 2013 and 2018 which gained 4.92% per annum in the same period.

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] 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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Capital Dynamics (S) Private Limited

112 Robinson Road, #13-04
Robinson 112, Singapore 068902
Tel: (+65) 6224 8055/56/58
Fax: (+65) 6224 8057
www.capitaldynamics.biz
cdpl.info@icapital.biz