

i Capital International Value Fund

ARSN 134578180

Quarterly Investment Report For the period 1 July 2010 to 30 September 2010

i Capital International Value Fund

Interim Report of the Fund Manager
for the period 1 July 2010 to 30 September 2010

Fund Performance

This is the first quarterly report of *i Capital International Value Fund* for the three months ended 30 September 2010.

For the period between 1 July 2010 and 30 September 2010, the net asset value (NAV) of *i Capital International Value Fund* jumped 9.01% or from AUD0.9175 to AUD1.0002⁽¹⁾ per unit. This compares with a 1.22% fall in the MSCI World Index (AUD)⁽²⁾ and a 0.76% fall in the MSCI All Country Index (AUD)⁽³⁾ during the said period - see figures 1 and 2 in page 6.

For the period between 1 January 2010 and 30 September 2010, the NAV of the *i Capital International Value Fund* fell 1.09% or from AUD1.0112 to AUD1.0002⁽¹⁾ per unit. The Fund made a distribution of AUD0.0126 in June 2010. The total return of the Fund with the distribution reinvested is a gain of 0.27%. This compares with a 6.26% fall in the MSCI World Index (AUD)⁽²⁾ and a 5.34% fall in the MSCI All Country Index (AUD)⁽³⁾ during the said period - see figures 3 and 4 in page 6.

For the period between 1 July 2009 and 30 September 2010, the NAV of the *i Capital International Value Fund* rose by 0.02% or from AUD1.00 to AUD1.0002⁽¹⁾ per unit. The Fund made a distribution of AUD0.0126 in June 2010 and the NAV after distribution is AUD0.9175. The total return of the Fund with the distribution reinvested is 1.39%. This compares with a 1.13% rise in the MSCI World Index (AUD)⁽²⁾ and a 2.94% rise in the MSCI All Country Index (AUD)⁽³⁾ during the said period - see figures 5 and 6 in page 7.

- (1) Past performance is not a reliable indicator of future results.
- (2) This index comprises prices from 23 developed countries.
- (3) This index comprises prices from 48 countries, including China.

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for the period 1 July 2010 to 30 September 2010 (continued)

Fund Performance (continued)

For the period between 1 July 2010 and 30 September 2010, the NAV of your Fund jumped while the two MSCI benchmark indices fell during the said period. A reason for this superior performance by your Fund can be seen in **Table 3** – the level of cash held by your Fund. As Capital Dynamics (Australia) Ltd, your fund manager, has explained in its past commentaries, your Fund's performance was then held back by the relatively high level of cash. By the end of June 2010, however, this has dropped substantially and with the right stock picks, this has since then helped boost the NAV of *i* Capital International Value Fund.

Table 1 shows the percentage gain or loss of each company held by your Fund as at 30 September 2010. This table assumes no impact from currency movements.

Table 2 shows the percentage gain or loss arising from currency movements as at 30 September 2010, assuming no change in stock prices.

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Interim Report of the Fund Manager

for the period 1 July 2010 to 30 September 2010 (continued)

Fund Performance (continued)

Table 1 Shows the percentage gain or loss arising from stock price changes ^{(1) (2)}

Securities in Australian Dollars	Average Cost (A\$) [*]	Price (Sept 2010) A\$ [*]	% Change
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	26.09	23.68	-9.24
BANK RAKYAT INDONESIA	1.09	1.21	10.33
BEIJING CAPITAL LAND LTD - H SHARES	0.56	0.44	-21.39
CLOVER CORPORATION LIMITED	0.29	0.35	20.19
GALAXY ENTERTAINMENT GROUP LTD	0.55	0.97	75.57
JASA MARGA INDONES IDR500	0.24	0.38	62.35
MERMAID MARINE AUSTRALIA LTD	2.97	2.76	-6.97
MERMAID MARITIME PCL	0.58	0.36	-37.53
NEW WORLD DEPT STORE CHINA	1.00	1.27	26.02
PORSCHE AUTOMOBIL HOLDING SE	90.47	61.22	-32.33
REXLOT HOLDINGS LTD	0.10	0.11	7.45
SKILLED GROUP LIMITED	1.29	1.09	-10.04
TESCO PLC ORD 5P	7.55	8.48	12.29

^{*}Assume constant exchange rates.

- (1) Past performance is not a reliable indicator of future results.
(2) Please note numbers have been rounded to two decimals.

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Interim Report of the Fund Manager

for the period 1 July 2010 to 30 September 2010 (continued)

Fund Performance (continued)

Table 2 Shows the percentage gain or loss arising from currency movements ^{(1) (2)}

Securities in Australian Dollars	Average Cost (A\$) **	Price (Sept 2010) A\$ **	% Change
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	26.09	26.09	0.00
BANK RAKYAT INDONESIA	1.09	1.05	-4.16
BEIJING CAPITAL LAND LTD - H SHARES	0.56	0.47	-15.77
CLOVER CORPORATION LIMITED	0.29	0.29	0.00
GALAXY ENTERTAINMENT GROUP LTD	0.55	0.53	-4.34
JASA MARGA INDONES IDR500	0.24	0.23	-3.15
MERMAID MARINE AUSTRALIA LTD	2.97	2.97	0.00
MERMAID MARITIME PCL	0.58	0.55	-4.69
NEW WORLD DEPT STORE CHINA	1.00	0.84	-16.18
PORSCHE AUTOMOBIL HOLDING SE	90.47	75.69	-16.34
REXLOT HOLDINGS LTD	0.10	0.09	-10.63
SKILLED GROUP LIMITED	1.29	1.29	0.00
TESCO PLC ORD 5P	7.55	6.15	-18.59

**Assume constant stock prices.

(1) Past performance is not a reliable indicator of future results.

(2) Please note numbers have been rounded to two decimals.

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Interim Report of the Fund Manager

for the period 1 July 2010 to 30 September 2010 (continued)

Fund Performance (continued)

Table 3 Shows the percentage of assets held as cash ⁽¹⁾

	Cash	Equities
End of Jul 09	46.84%	53.16%
End of Sep 09	24.24%	75.76%
End of Dec 09	16.69%	83.31%
End of Mar 10	36.36%	63.64%
End of June 10	5.43%	94.57%
End of Sept 10	5.08%	94.92%

The portfolio of the *i* Capital International Value Fund as at 30 September 2010 is spread across 13 companies, which are engaged in a wide range of business activities. The top five investments are PT Jasa Marga (Persero) (Jarkata), Galaxy Entertainment Group Limited (HKEX), Mermaid Marine Australia (ASX), PT Bank Rakyat Indonesia (Persero) (Jakarta), and New World Department Store (HKEX). These 5 investments make up 55% (see page 9) of the total assets. In the July to September 2010 period, your Fund bought additional shares in Clover Corporation Ltd and Skilled Group Ltd.

(1) Past performance is not a reliable indicator of future results.

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for the period 1 July 2010 to 30 September 2010 (continued)

Fund Performance (continued)

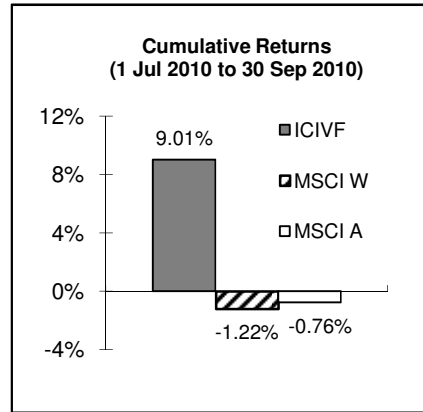
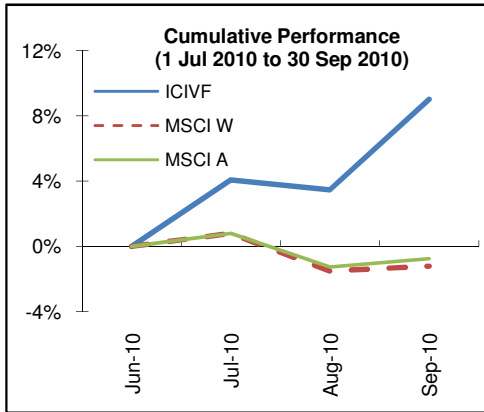


Figure 1

Figure 2

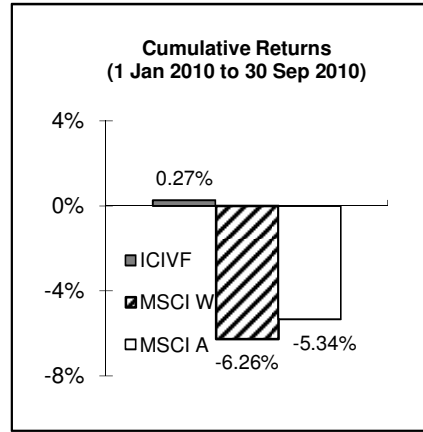
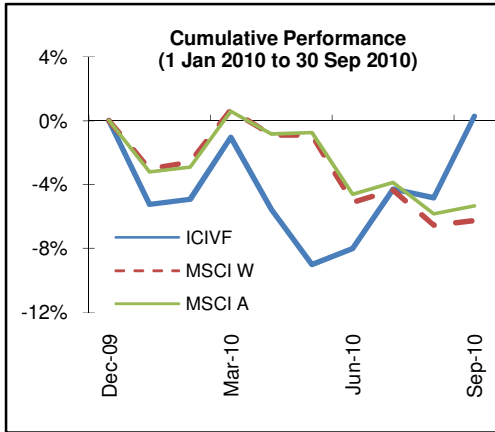


Figure 3

Figure 4

i Capital International Value Fund

Interim Report of the Fund Manager

for the period 1 July 2010 to 30 September 2010 (continued)

Fund Performance (continued)

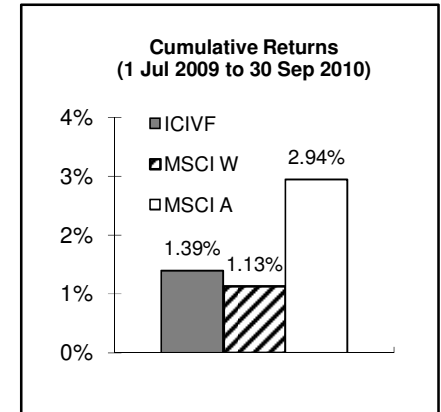
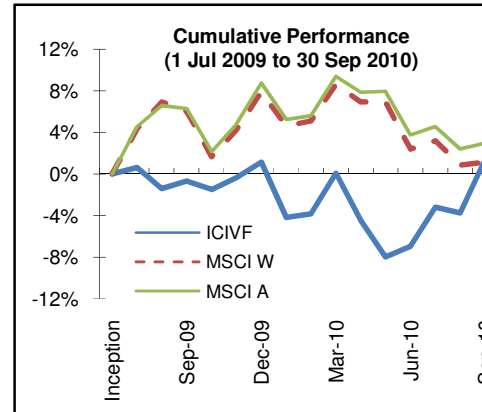


Figure 5

Figure 6

Outlook and Strategy

Since our last quarter's report, the world economy and the global community have witnessed more unprecedented developments. First, what we feared in the last report about inflation in the emerging economies has intensified. To recapitulate, "Led by China, a big part of the world community, which essentially comprises the many emerging economies, has been driving global economic growth. Unfortunately, these economies have seen inflation rates worsening. At the same time, prices of many commodities, due to supply and demand factors, have been surging. The worry is that the inflation rates will rise further and the central banks in these countries would need to further tighten their monetary policies."

Since then, adverse weather conditions have unleashed havoc in many important commodity-producing areas of the world. From the destruction caused by the recent floods in Queensland to severe drought in China and elsewhere, severe weather problems have aggravated the inflationary pressures faced by the global economy.

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for the period 1 July 2010 to 30 September 2010 (continued)

Outlook and Strategy (continued)

At the same time, given the underlying supply and demand conditions, the central banks of many emerging economies have no choice but to tighten further. In particular, The People's Bank of China has been tightening aggressively. As they do so, the worry is that the engine of the global economic recovery may falter, which if it does, it would also be an unprecedented event. Consequently, stock markets in these emerging economies have fallen sharply.

Perhaps the "mother of unprecedented developments" would belong to the current political uprisings sweeping across the entire North Africa and the Middle East. Starting from Tunisia, the political uprisings have expanded so rapidly that what the eventual implications and ramifications will be are also constantly changing.

2011 and the Year of the Rabbit have certainly started off with many uncertainties. As we advised in our last report, "just in case investors have the notion that everything is fine and dandy, Anne Bronte reminded us 163 years ago that "there is always a "but" in this imperfect world". How very true.

Again, what should investors do? Again, we conclude with the same adage. "*But he that dares not grasp the thorn Should never crave the rose,*" said Anne Bronte. Essentially, as your fund manager, Capital Dynamics (Australia) Ltd attempts to crave the rose without grasping the thorn through its "intelligently eclectic" value investing philosophy.

Tan Teng Boo
Capital Dynamics (Australia) Limited
ABN 53 129 846 260 AFSL 326283
22 February 2011

i Capital International Value Fund

Performance information

Quarter ended 30 September 2010

	First Quarter 30 September 2010 (% of change)
Top 5 out-performing stocks (in local currency)	
Galaxy Entertainment Group Limited	64%
PT Jasa Marga (Persero) Tbk	58%
Beijing Capital Land Ltd	25%
Skilled Group Limited	20%
Clover Corporation Limited	20%

The table above presents the top 5 out-performing stocks your fund held at some time within the referenced quarter. The stocks do not necessarily need to be bought at the start of the quarter (i.e. 1 July 2010), and held till the end of the quarter (i.e. 30 September 2010). 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 Galaxy Entertainment Group Limited was bought on 10 July 2010 and sold on 15 September 2010, its performance is only measured over 10 July to 15 September 2010 and not over the full quarter. Similarly, if it was bought on 20 Nov 2009 and sold on 15 August 2010, its performance is measured over the period 1 July to 15 August 2010.

Top 5 net assets attributable to unitholders at 30 Sept 2010 (in AUD)	55%
PT Jasa Marga (Persero) Tbk	15%
Galaxy Entertainment Group Limited	12%
Mermaid Marine Australia Limited	10%
PT Bank Rakyat Indonesia (Persero) Tbk	9%
New World Dept Store China	9%

Country allocation for equities (in AUD)	100%
Hong Kong	36%
Australia	27%
Indonesia	24%
Singapore	5%
Europe	5%
United Kingdom	3%

***i* Capital International Value Fund**

About the Fund

Capital Dynamics (Australia) Ltd (CDAL), a wholly owned subsidiary of Capital Dynamics (S) Pte Ltd (CDPL), obtained its Australian Financial Services License (AFSL 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 June 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.

About the Group

Capital Dynamics (S) Pte Ltd (CDPL), a global fund manager based in Singapore, is the fund 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.

***i* Capital International Value Fund**

About the Group (continued)

Capital Dynamics Asset Management S/B (CDAM), based in Kuala Lumpur, manages icapital.biz Berhad, a closed-end fund listed on Bursa Malaysia, and discretionary accounts.

The Capital Dynamics group traces back to 1988, when its managing director, Tan Teng Boo, an experienced investment manager, founded Capital Dynamics Sdn Berhad, the first independent investment adviser in Malaysia. It provides top quality advice on investments through *i* Capital, its weekly report, and www.icapital.biz, the Internet edition. It supervises 5 portfolios with the oldest started as far back as Sep 1991.

The investment philosophy of the Capital Dynamics group (including that of CDAL) is guided by a sound and rigorous value-investing framework. Essentially, the Capital Dynamics group seeks low risk yet high return types of investment.

The Capital Dynamics group is independent and is therefore not affiliated to any financial institution or political or government organisation. Being owner-operated, the continuity and consistency of the investment approach adopted by the group is assured.

***i* Capital International Value Fund**

Notes

Capital Dynamics (Australia) Limited (CDAL) is the responsible entity and issuer of *i* Capital International Value Fund (“Fund”). The Product Disclosure Statement dated 9 April 2009 (“PDS”) is the current offer document for the Fund. You can obtain a copy of the PDS from CDAL’s website www.capitaldynamics.com.au, or contact CDAL at 1300 798 655, or email CDAL at info@capitaldynamics.com.au.

Before making any investment decision you will need to consider your particular investment needs, objectives and financial circumstances. You should also consider the PDS in deciding whether to acquire, or continue to hold, units in the Fund.

Disclaimer: The information in this Quarterly Investment Report is not intended to provide advice. It has not been prepared taking into account any particular investor’s or class of investor’s investment objectives, financial situation or needs, and should not be used as the basis for making investment, financial or other decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. None of CDAL nor any of its related entities guarantees the performance of the Fund or the repayment of capital or any particular rate of return or any distribution.

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***i* Capital International Value Fund**

Fund manager

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