

# *i* Capital International Value Fund

ARSN 134578180

## Quarterly Investment Report For the period 1 April 2011 to 30 June 2011

### *i* Capital International Value Fund

Interim Report of the Fund Manager  
for the period 1 April 2011 to 30 June 2011

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#### Fund Performance

This is the fourth quarterly report of *i* Capital International Value Fund for the twelve months ended 30 June 2011.

For the period between 1 July 2010 and 30 June 2011, the net asset value (NAV) of the *i* Capital International Value Fund increased 16.64% or from AUD0.9175 to AUD1.0702<sup>(1)(4)</sup> per unit. This compares with a 0.86% rise in the MSCI World Index (AUD)<sup>(2)</sup> and a 0.53% rise in the MSCI All Country Index (AUD)<sup>(3)</sup> during the said period - see **figures 1** and **2** in page 5. In June 2011, *i* Capital International Value Fund paid a distribution of AUD0.1546 and its NAV after distribution is AUD0.9156.

For the period between 1 April 2011 and 30 June 2011, the NAV of the *i* Capital International Value Fund slipped 1.18% or from AUD1.083 to AUD1.0702<sup>(1)(4)</sup> per unit. This compares with a 3.68% decline in the MSCI World Index (AUD)<sup>(2)</sup> and a 3.92% fall in the MSCI All Country Index (AUD)<sup>(3)</sup> during the said period - see **figures 3** and **4** in page 5. As shown in **Table 3**, page 4, the cash level of your Fund has risen sharply by 30 June 2011 for reasons which we have already shared in the monthly NAV commentaries.

For the period between 1 July 2009 and 30 June 2011, the NAV of the *i* Capital International Value Fund increased by 7.02% or from AUD1.000 to AUD1.0702<sup>(1)(4)</sup> per unit. The Fund made a distribution of AUD0.1546 in June 2011 and the after-distribution-NAV was AUD0.9156. The total return of the Fund with the distribution reinvested is 8.49%. This compares with a 3.25% rise in the MSCI World Index (AUD)<sup>(2)</sup> and a 4.29% rise in the MSCI All Country Index (AUD)<sup>(3)</sup> during the said period - see **figures 5** and **6** in page 6.

- (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.
- (4) NAV is before distribution.

## *i* Capital International Value Fund

### Interim Report of the Fund Manager

for the period 1 April 2011 to 30 June 2011 (continued)

#### Fund Performance (continued)

**Table 1** shows the percentage gain or loss of each company held by your Fund as at 30 June 2011. This table assumes no impact from currency movements.

#### **Table 1 Shows the percentage gain or loss arising from stock price changes**<sup>(1) (2)</sup>

Securities in Australian Dollars	Average Cost (A\$)*	Price (Jun 2011) A\$*	% Change
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	26.09	22.00	-15.68%
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.41	-27.04%
CLOVER CORPORATION LIMITED	0.30	0.29	-5.14%
IP GROUP PLC	0.70	0.77	8.78%
MERMAID MARINE AUSTRALIA LIMITED	2.97	3.19	7.52%
MERMAID MARITIME PCL	0.58	0.28	-51.72%
NEW WORLD DEPT STORE CHINA	1.00	0.97	-3.35%
PORSCHE AUTOMOBIL HOLDING SE	90.47	92.19	1.90%
REXLOT HOLDINGS LTD	0.10	0.11	11.53%

\*Assume constant exchange rates.

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

## *i* Capital International Value Fund

### Interim Report of the Fund Manager

for the period 1 April 2011 to 30 June 2011 (continued)

#### Fund Performance (continued)

**Table 2** shows the percentage gain or loss arising from currency movements as at 30 June 2011, assuming no change in stock prices.

#### **Table 2 Shows the percentage gain or loss arising from currency movements**<sup>(1) (2)</sup>

Securities in Australian Dollars	Average Cost (A\$)**	Price (Jun 2011) A\$**	%Change
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	26.09	26.09	0.00%
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.42	-24.00%
CLOVER CORPORATION LIMITED	0.30	0.30	0.00%
IP GROUP PLC	0.70	0.68	-3.05%
MERMAID MARINE AUSTRALIA LIMITED	2.97	2.97	0.00%
MERMAID MARITIME PCL	0.58	0.54	-7.64%
NEW WORLD DEPT STORE CHINA	1.00	0.76	-24.37%
PORSCHE AUTOMOBIL HOLDING SE	90.47	72.70	-19.65%
REXLOT HOLDINGS LTD	0.10	0.08	-19.36%

\*\*Assume constant stock prices.

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

**i Capital International Value Fund**  
**Interim Report of the Fund Manager**  
for the period 1 April 2011 to 30 June 2011 (continued)

**Fund Performance (continued)**

Between 1 July 2010 and 30 June 2011, the NAV of your Fund surged while the two MSCI benchmark indices gained slightly during the said period. One of the reasons 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 has previously explained, your Fund's performance was initially held back by the high level of cash. By around mid-2010, this dropped substantially and with the right stock picks, this boosted the NAV of your Fund. However, do note that the cash level has risen sharply by the end of June 2011. <sup>(1)</sup>

**Table 3 Shows the percentage of assets held as cash**

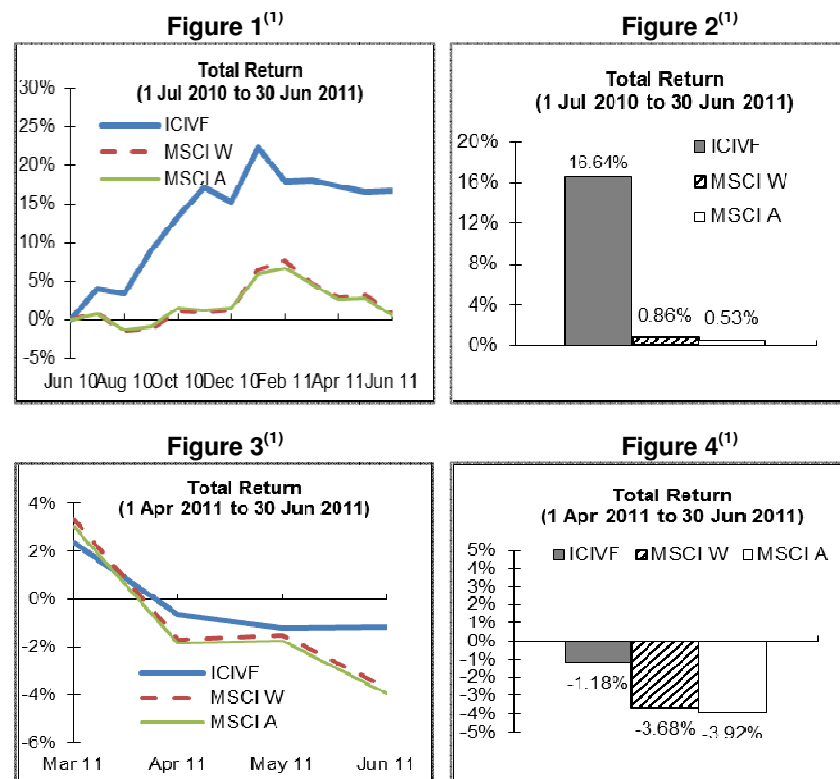
	Cash	Equities
End of Jul 09	46.84%	53.16%
End of Sep 09	24.24%	75.76%
End of Dec 09	16.69%	83.31%
End of Mar 10	36.36%	63.64%
End of June 10	5.43%	94.57%
End of Sept 10	5.08%	94.92%
End of Dec 10	28.11%	71.89%
End of Mar 11	50.47%	49.53%
End of Jun 11	50.34%	49.66%

The portfolio of the i Capital International Value Fund as at 30 June 2011 is spread across 10 companies, which are engaged in a wide range of business activities. The top five investments are Mermaid Marine Australia Ltd (ASX), Australia and New Zealand Banking Group (ASX), Rexlot Holdings Ltd (HKEX), Porsche Automobil Holding SE (Frankfurt), and New World Department Store China (HKEX). These 5 investments make up 35% (see page 8) of the fund's total assets. In the April to June 2011 period, your Fund bought shares of IP Group Plc but sold its holdings Porsche Automobil HL- Rights and Tesco Ord 5P.

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

**i Capital International Value Fund**  
**Interim Report of the Fund Manager**  
for the period 1 April 2011 to 30 June 2011 (continued)

**Fund Performance (continued)**



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

## i Capital International Value Fund

### Interim Report of the Fund Manager

for the period 1 April 2011 to 30 June 2011 (continued)

#### Fund Performance (continued)

Figure 5<sup>(1)</sup>

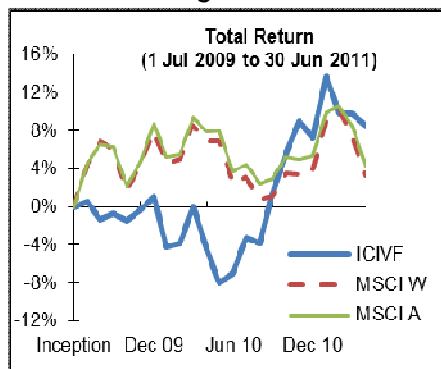
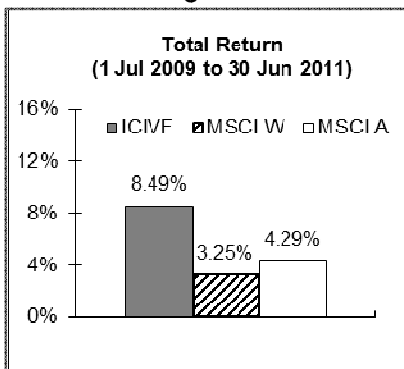


Figure 6<sup>(1)</sup>



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

## i Capital International Value Fund

### Interim Report of the Fund Manager

for the period 1 April 2011 to 30 June 2011 (continued)

#### Outlook and Strategy

Since our last report dated 2 June 2011, the global financial markets have experienced unprecedented turbulence, as earlier expected by your fund manager, Capital Dynamics (Australia) Ltd. The United States has her sovereign credit rating downgraded for the first time. The turmoil coming out from debt ridden Europe has worsened at a rapid pace. At the time of writing this report, Greece has a new prime minister and Italy is getting a technocrat as a new prime minister. While there may be reasons to be hopeful that debt ridden Europe is coming to grips with her fundamental problems, the table below reminds investors of the many problems that still lie ahead. It shows that since 1944, Italy has had 38 prime ministers. Only 3 lasted more than 4 years. 16 around only 1 year. Silvio Berlusconi may have resigned but based on Italy's "brilliant" political track record, her financial and economic crisis may have just begun.

Prime Minister	Time in power	Year(s)
Ivanoe Bonomi	1 year, 12 days	1944-1945
Ferruccio Parri	5 months, 20 days	1945
Alcide De Gasperi	8 years 1 month, 27 days	1945-1953
Giuseppe Pella	5 months 1 day	1953-1954
Amintore Fanfani	19 days	1954
Mario Scelba	1 year, 4 months, 28 days	1954-1955
Antonio Segni	1 year, 10 months, 13 days	1955-1957
Adone Zoli	1 year, 1 month, 13 days	1957-1958
Fanfani	7 months, 14 days	1958-1959
Segni	1 year, 1 month, 10 days	1959-1960

Continued next page

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for the period 1 April 2011 to 30 June 2011 (continued)

Fernando Tambroni	4 months, 1 day	1960
Fanfani	2 years, 10 months, 25 days	1960-1963
Giovanni Leone	5 months, 15 days	1963
Aldo Moro	4 years, 6 months, 20 days	1963-1968
Leone	5 months, 19 days	1968
Mariano Rumor	1 year, 7 months, 25 days	1968-1970
Emilio Colombo	1 year, 6 months, 11 days	1970-1972
Giulio Andreotti	1 year, 4 months, 17 days	1972-1973
Rumor	1 year, 3 months, 28 days	1973-1974
Moro	1 year, 8 months, 27 days	1974-1976
Andreotti	3 years, 7 days	1976-1979
Francesco Cossiga	1 year, 2 months, 13 days	1979-1980
Arnaldo Forlani	8 months, 10 days	1980-1981
Giovanni Spadolini	1 year, 5 months, 2 days	1981-1982
Fanfani	8 months, 5 days	1982-1983
Bettino Craxi	3 years, 8 months, 14 days	1983-1987
Fanfani	3 months, 11 days	1987
Giovanni Goria	8 months, 14 days	1987-1988
Ciriaco De Mita	1 year, 3 months, 10 days	1988-1989
Andreotti	2 years, 11 months, 5 days	1989-1992
Giuliano Amato	10 months, 1 day	1992-1993
Carlo Azeglio Ciampi	1 year, 13 days	1993-1994
Silvio Berlusconi	8 months, 6 days	1994-1995
Lamberto Dini	1 year, 4 months, 1 day	1995-1996
Romano Prodi	2 years, 5 months, 3 days	1996-1998
Massimo D'Alema	1 year, 6 months, 5 days	1998-2000
Amato	1 year, 1 month, 15 days	2000-2001
Berlusconi	4 years, 11 months, 6 days	2001-2006
Prodi	1 year, 11 month, 22 days	2006-2008
Berlusconi	2 years +	2008 -

***i* Capital International Value Fund**  
**Interim Report of the Fund Manager**  
for the period 1 April 2011 to 30 June 2011 (continued)

**Outlook and Strategy (continued)**

In May 2011, the *i* Capital International Value Fund sold its all holdings in Tesco plc (London) and will use the proceeds to switch to a more attractive stock. In June 2011, your fund invested in IP Group plc (London), an attractively valued, venture capital-type of company. As a result, your fund now has 56.51% of its assets in cash.

Meanwhile, the world economy outside Europe (and Japan) is looking more hopeful. Now, global economic growth does not appear to be staring an abyss. The US is more resilient than expected while China appears to be heading for another successful soft landing. However, all eyes are still on Europe – the region that will determine whether 2012 will be another nerve wrecking year or one where investors can look towards a more normal sort of investing environment.

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

## ***i* Capital International Value Fund**

### **Performance information**

Quarter ended 30 June 2011

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	<b>Fourth Quarter 30 June 2011 (% of change)</b>
<b>Top 5 out-performing stocks (in local currency)</b>	
Porsche Automobil Holding Se	18%
New World Dept Store China	13%
Tesco Plc	8%
IP Group Plc	1%
Mermaid Maritime Plc	1%

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 April 2011), and held till the end of the quarter (i.e. 30 June 2011). 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 April 2011 and sold on 15 June 2011, its performance is only measured over 10 April 2011 to 15 June 2011 and not over the full quarter. Similarly, if it was bought on 20 July 2010 and sold on 15 May 2011, its performance is measured over the period 1 April 2011 to 15 May 2011.

<b>Top 5 net assets attributable to unitholders at 30 Jun 2011 (in AUD)</b>	35%
Mermaid Marine Australia Limited	10%
Australia and New Zealand Banking Group	7%
Rexlot Holdings Ltd	6%
Porsche Automobil Holding Se	6%
New World Dept Store China	6%

<b>Country allocation for equities (in AUD)</b>	100%
Australia	37%
Hong Kong	33%
Europe	12%
United Kingdom	11%
Singapore	7%

## ***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 with potential for 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**

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### **About the Group (continued)**

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.

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](http://www.icapital.biz), the internet edition. It supervises 5 portfolios with the oldest starting as far back as September 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**

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### **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](http://www.capitaldynamics.com.au), or contact CDAL at 1300 798 655, or email CDAL at [info@capitaldynamics.com.au](mailto:info@capitaldynamics.com.au).

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

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

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## ***i* Capital International Value Fund**

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### **Fund manager**

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