

i Capital International Value Fund

ARSN 134578180

**Quarterly Investment Report
For the period 1 January 2012 to
31 March 2012**

***i* Capital International Value Fund**

Interim Report of the Fund Manager

for the period 1 January 2012 to 31 March 2012

Fund Performance

This is the third quarterly report of *i* Capital International Value Fund for the three months ended 31 March 2012.

For the period between 1 January 2012 to 31 March 2012, the net asset value (NAV) of the *i* Capital International Value Fund increased 13.67% or from AUD0.8430 to AUD0.9582⁽¹⁾ per unit. This compares with a 9.79% increase in the MSCI World Index (AUD)⁽²⁾ and a 10.13% increase in the MSCI ACWI Index (AUD)⁽³⁾ during the said period - see **Figures 1 and 2** in page 5. **Table 3**, page 4, shows the composition of the fund for each quarter since Jul 2009.

For the period between 1 July 2011 to 31 March 2012, the NAV of the *i* Capital International Value Fund edged up 4.65% or from AUD0.9156 to AUD0.9582⁽¹⁾ per unit. This compares with a 1.86% climb in the MSCI World Index (AUD)⁽²⁾ and a 0.77% climb in the MSCI ACWI Index (AUD)⁽³⁾ during the said period - see **Figures 3 and 4** in page 5.

For the period between 1 July 2009 and 31 March 2012, the NAV of the *i* Capital International Value Fund edged down by 4.18% or from AUD1.000 to AUD0.9582⁽¹⁾ per unit. The Fund made a distribution of AUD0.0126 in June 2010 and AUD0.1546 in June 2011 and the after-distribution-NAV was AUD1.1354. The total return of the Fund with the distribution reinvested is a gain of 13.54%. This compares with a 5.17% climb in the MSCI World Index (AUD)⁽²⁾ and a 5.09% climb in the MSCI ACWI Index (AUD)⁽³⁾ during the said period - see **Figures 5 and 6** in page 6.

- (1) Past performance is not a reliable indicator of future results.
- (2) A free float-adjusted market capitalization weighted index which consists of 24 developed markets. This index comprises prices from 45 countries, including China.
- (3) A free float-adjusted market capitalization weighted index which consists of 45 country indices, comprising 24 developed and 21 emerging market country indices. This includes the stock markets of China, which the *i*CIVF cannot invest in at this time.

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Interim Report of the Fund Manager

for the period 1 January 2012 to 31 March 2012 (continued)

Fund Performance (continued)

Table 1 shows the percentage gain or loss of each company held by your Fund as at 31 March 2012. This table assumes no impact from currency movements.

Table 1. Percentage gain or loss arising from stock price changes

(1) (2)

Securities in Australian Dollars	Average Cost (A\$)*	Price (Mar 2012) A\$ *	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.35	-38.07%
CHINA WINDPOWER	0.05	0.04	-13.24%
CLOVER CORPORATION LIMITED	0.30	0.36	19.82%
IP GROUP PLC	0.70	2.07	194.47%
MERMAID MARINE AUSTRALIA LIMITED	2.97	3.26	9.88%
MERMAID MARITIME PCL	0.58	0.27	-53.14%
NEW WORLD DEPT STORE CHINA	1.00	0.80	-20.57%
PETRA DIAMONDS LTD	2.51	2.62	4.28%
PORSCHE AUTOMOBIL HOLDING SE	90.47	74.58	-17.57%
REXLOT HOLDINGS LTD	0.10	0.10	2.61%

**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 January 2012 to 31 March 2012 (continued)

Fund Performance (continued)

Table 2 shows the percentage gain or loss arising from currency movements as at 31 March 2012, assuming no change in stock prices.

Table 2. Percentage gain or loss arising from currency movements ⁽¹⁾ ⁽²⁾

Securities in Australian Dollars	Average Cost (A\$)**	Price (Mar 2012) A\$ **	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.44	-21.28%
CHINA WINDPOWER	0.05	0.05	3.47%
CLOVER CORPORATION LIMITED	0.30	0.30	0.00%
IP GROUP PLC	0.70	0.70	-0.29%
MERMAID MARINE AUSTRALIA LIMITED	2.97	2.97	0.00%
MERMAID MARITIME PCL	0.58	0.54	-6.81%
NEW WORLD DEPT STORE CHINA	1.00	0.79	-21.66%
PETRA DIAMONDS LTD	2.51	2.59	3.39%
PORSCHE AUTOMOBIL HOLDING SE	90.47	69.01	-23.73%
REXLOT HOLDINGS LTD	0.10	0.08	-16.48%

**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 January 2012 to 31 March 2012 (continued)

Fund Performance (continued)

Between 1 January 2012 and 31 March 2012, the NAV of your Fund increased 13.67%. This compares with a 9.79% increase in the MSCI World Index (AUD) ⁽¹⁾ and a 10.13% rise in the MSCI ACWI Index (AUD) during the said period. **Table 3** shows the composition of the fund for each quarter since Jul 2009.

Table 3. 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%
End of Sep 11	60.59%	39.41%
End of Dec 11	58.14%	41.86%
End of Mar 12	31.78%	68.22%

The portfolio of the *i* Capital International Value Fund as at 31 March 2012 is spread across 10 companies, which are engaged in a wide range of business activities. The top five investments are IP Group PLC (LSX), Mermaid Marine Australia Ltd (ASX), Petra Diamonds (LSX), China Windpower (HKEX), and Rexlot Holdings Ltd (HKEX). These 5 investments make up 50.9% (see page 8) of the fund's total assets.

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

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Interim Report of the Fund Manager

for the period 1 January 2012 to 31 March 2012 (continued)

Fund Performance (continued)

Figure 1⁽¹⁾

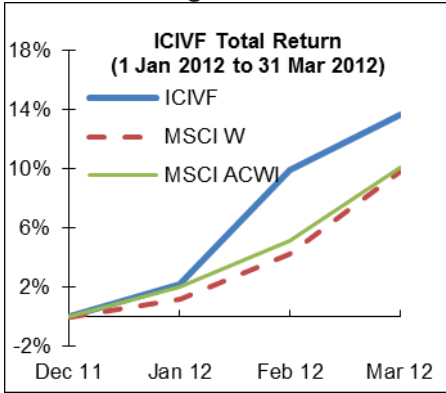


Figure 2⁽¹⁾

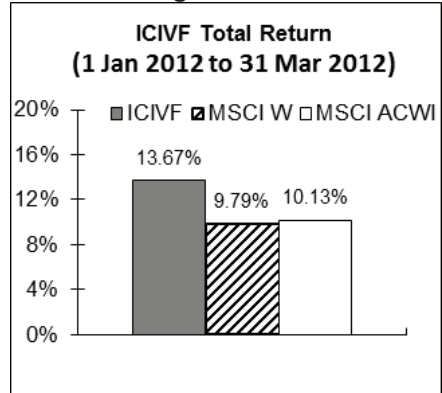


Figure 3⁽¹⁾

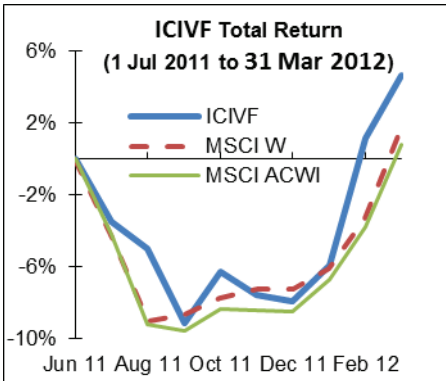
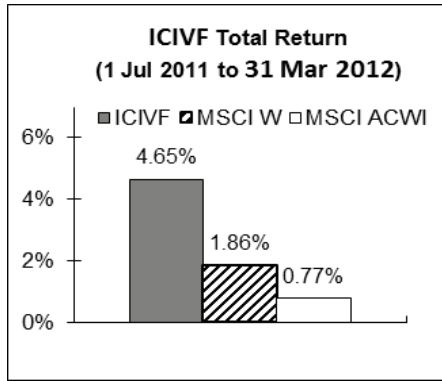


Figure 4⁽¹⁾



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

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Interim Report of the Fund Manager

for the period 1 January 2012 to 31 March 2012 (continued)

Fund Performance (continued)

Figure 5⁽¹⁾

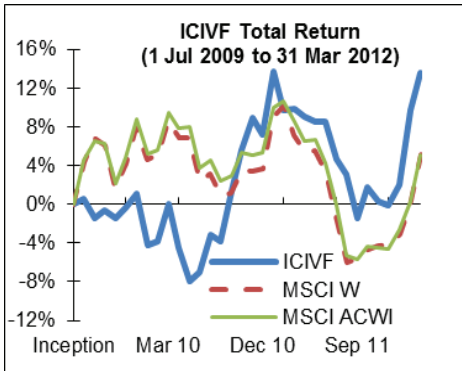
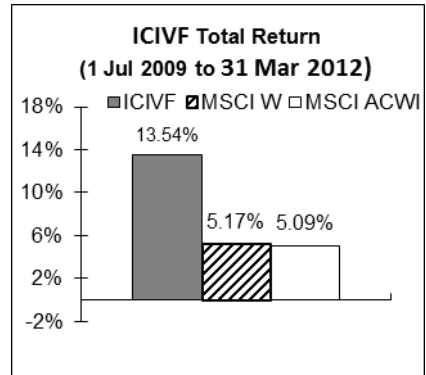


Figure 6⁽¹⁾



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

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Interim Report of the Fund Manager

for the period 1 January 2012 to 31 March 2012 (continued)

Outlook and Strategy

Since 2008, the global economy has been “progressing” from crisis to crisis. There seems no end in sight. The Greek election has come and gone. Now, the attention has shifted to Spain. With years of recession, high unemployment, wage and pension cuts, the fierce debate between more austerity and growth in Europe will persist. Given the slowdown in China and the US, and the volatile market environment, should investors abandon ship? On the contrary. Why?

First, tough times do not last forever. Given the 4-5 years of economic and financial calamity, all of which were caused by the major developed economies, it is easy to lose one’s patience and perspectives. Look beyond that. The recent advice from Burton Malkiel written in the Financial Times is indeed very timely.

“Investors have been fleeing to “safety”. US 10-year Treasury yields fell to less than 1.5 per cent earlier in June, a level not seen since 1946 when interest rates were pegged Global equity markets have fallen sharply. Investors appear to be far more concerned with the return of, rather than a return on, their money. Since 2008, more than \$1tn has been moved from equity funds to bond funds.”

“But does this flight to so-called havens really provide investors with the protection they desire? Or, are bond buyers making a huge mistake that is likely to guarantee them a period of negative real (after inflation) returns? Bond investors face virtually sure losses and equities are as attractive as they have been in a generation.”

“We can illustrate the fundamental unattractiveness of bonds with the US market. The buyer of a 10-year US Treasury bond at a 1.5 per cent yield to maturity will receive a nominal return well below the current rate of inflation and below the Federal Reserve’s informal target rate of inflation of 2 per cent. Thus, even if inflation does not accelerate, long-term US Treasuries will provide a negative real rate of return. If inflation does accelerate, that real rate of return will be further reduced.”

“It is important to remember what happened to bond investors the last time that Treasury bond yields were at 1.5 per cent, in 1946 Moderate inflation reduced the real value of both coupon payments and the face value of the bonds, and bondholders lost considerable purchasing power. And that was only the beginning of the pain.”

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for the period 1 January 2012 to 31 March 2012 (continued)

“Interest rates began to rise to more normal levels and bond prices started to fall and, by the end of the 1970s, bond yields had increased to double-digit levels. Thus, bond owners not only earned negative real income returns but also suffered punishing capital losses.”

“The easier path for the US government is to keep interest rates artificially low as the real burden of the debt is reduced and the debt is restructured on the backs of the bondholders. We reduced the debt to gross domestic product ratio in the US from 122 per cent in 1946 to 33 per cent in 1980. But it was achieved at the expense of bondholders. Equities are reasonably priced and are downright cheap in comparison with bond alternatives..... Emerging market equities are even cheaper.”

“A generation ago there was widespread dissatisfaction with equities. In the 1970s, equities produced negative real rates of return. Business Week described the situation as “the death of equities”. Shares then produced spectacular double-digit returns until the turn of the century. Today, “death of equities” talk is equally widespread. No one can tell when global equity markets will shake off the intractable pessimism that characterises investors. But I would submit that equity investments in today’s market environment entail less risk than the “haven” bond investments favoured by so many investors.”

In fact, I would go even further than Professor Malkiel. Most investors do not realise that today’s widespread negative sentiment and today’s fragile equity markets are actually very vulnerable to positive surprises or developments. Imagine when the US\$1 trillion of funds flow back from bond funds to equity funds.

Tan Teng Boo
Capital Dynamics (Australia) Limited
ABN 53 129 846 260 AFSL 326283
20th June 2012

***i* Capital International Value Fund**

Performance information

Quarter ended 31 March 2012

	Third Quarter 31 March 2012 (% of change)
Top 5 out-performing stocks (in local currency)	
IP Group Plc	71.79%
Beijing Capital Land Limited	43.14%
Mermaid Maritime Pcl	37.50%
Rexlot Holdings Ltd	35.29%
Clover Corporation Limited	20.00%

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 Jan 2012), and held till the end of the quarter (i.e. 31 March 2012). 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 China Windpower was bought on 17 Feb 2012 and sold on 5 Mar 2012, its performance is only measured over 17 Feb to 5 Mar 2012 and not over the full quarter. Similarly, if it was bought on 20 Dec 2011 and sold on 5 Mar 2012, its performance is measured over the period 1 Jan to 5 Mar 2012.

Top 5 net assets attributable to unitholders at 31 March 2012 (in AUD)	50.9%
IP Group PLC	15.8%
Mermaid Maritime Australia Limited	10.9%
Petra Diamonds	10.8%
China Windpower	7.1%
Rexlot Holdings Ltd	6.3%

Country allocation for equities (in AUD)	100%
United Kingdom	39%
Hong Kong	32%
Australia	17%
Europe	7%
Singapore	5%

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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.

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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, 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.

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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, 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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