

i Capital International Value Fund

ARSN 134578180

Quarterly Investment Report For the period 1 January 2011 to 31 March 2011

i Capital International Value Fund

Interim Report of the Fund Manager
for the period 1 January 2011 to 31 March 2011

Fund Performance

This is the third quarterly report of *i* Capital International Value Fund for the nine months ended 31 March 2011.

For the period between 1 July 2010 and 31 March 2011, the net asset value (NAV) of the *i* Capital International Value Fund jumped 18.04% or from AUD0.9175 to AUD1.083⁽¹⁾ per unit. This compares with a 4.70% rise in the MSCI World Index (AUD)⁽²⁾ and a 4.63% rise in the MSCI All Country Index (AUD)⁽³⁾ during the said period - see **figures 1** and **2** in page 5.

For the period between 1 January 2011 and 31 March 2011, the NAV of the *i* Capital International Value Fund gained 2.36% or from AUD1.058 to AUD1.083⁽¹⁾ per unit. This compares with a 3.37% rise in the MSCI World Index (AUD)⁽²⁾ and a 3.02% rise in the MSCI All Country Index (AUD)⁽³⁾ 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 31 March 2011 for reasons which we have already shared in the monthly NAV commentaries.

For the period between 1 July 2009 and 31 March 2011, the NAV of the *i* Capital International Value Fund rose by 8.30% or from AUD1.000 to AUD1.083⁽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 9.79%. This compares with a 7.19% rise in the MSCI World Index (AUD)⁽²⁾ and a 8.54% rise in the MSCI All Country 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) This index comprises prices from 23 developed countries.
- (3) This index comprises prices from 48 countries, including China.

i Capital International Value Fund

Interim Report of the Fund Manager

for the period 1 January 2011 to 31 March 2011 (continued)

Fund Performance (continued)

Table 1 shows the percentage gain or loss of each company held by your Fund as at 31 March 2011. This table assumes no impact from currency movements.

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

Securities in Australian Dollars	Average Cost (A\$) *	Price (Mar 2011) A\$ *	% Change
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	26.09	23.81	-8.74
BEIJING CAPITAL LAND LTD - H SHARES	0.56	0.45	-18.84
CLOVER CORPORATION LIMITED	0.30	0.30	-0.15
IP GROUP PLC	0.58	0.76	31.22
MERMAID MARINE AUSTRALIA LTD	2.97	3.21	8.19
MERMAID MARITIME PCL	0.58	0.28	-52.43
NEW WORLD DEPT STORE CHINA	1.00	0.86	-14.09
PORSCHE AUTOMOBIL HOLDING SE	90.47	88.19	-2.52
REXLOT HOLDINGS LTD	0.10	0.13	27.89
TESCO PLC ORD 5P	7.55	7.62	0.90

*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 2011 to 31 March 2011 (continued)

Fund Performance (continued)

Table 2 shows the percentage gain or loss arising from currency movements as at 31 March 2011, assuming no change in stock prices.

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

Securities in Australian Dollars	Average Cost (A\$) **	Price (Mar 2011) A\$ **	% Change
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	26.09	26.09	0.00
BEIJING CAPITAL LAND LTD - H SHARES	0.56	0.44	-21.29
CLOVER CORPORATION LIMITED	0.30	0.30	0.00
IP GROUP PLC	0.58	0.56	-2.55
MERMAID MARINE AUSTRALIA LTD	2.97	2.97	0.00
MERMAID MARITIME PCL	0.58	0.54	-6.88
NEW WORLD DEPT STORE CHINA	1.00	0.79	-21.67
PORSCHE AUTOMOBIL HOLDING SE	90.47	73.66	-18.58
REXLOT HOLDINGS LTD	0.10	0.08	-16.49
TESCO PLC ORD 5P	7.55	5.85	-22.46

**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 2011 to 31 March 2011 (continued)

Fund Performance (continued)

Between 1 July 2010 and 31 March 2011, the NAV of your Fund jumped 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 March 2011. ⁽¹⁾

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%

The portfolio of the *i* Capital International Value Fund as at 31 March 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), New World Department Store China (HKEX), and Porsche Automobil Holding SE (Frankfurt). These 5 investments make up 36% (see page 8) of the fund's total assets. In the January to March 2011 period, your Fund bought shares of IP Group Plc but sold its holdings in Galaxy Entertainment Group Ltd and Skilled Group Ltd.

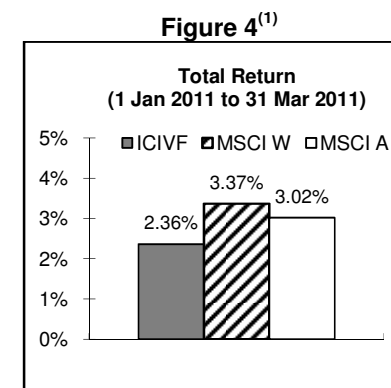
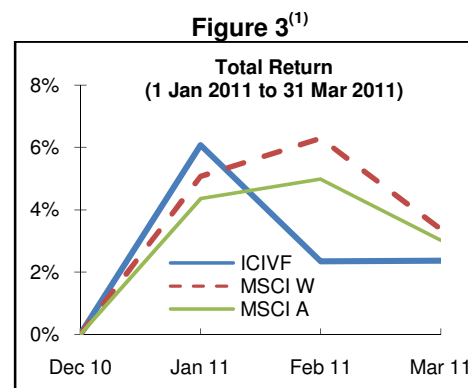
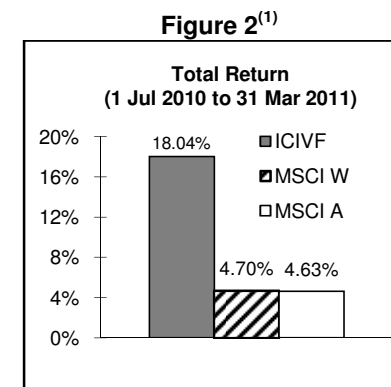
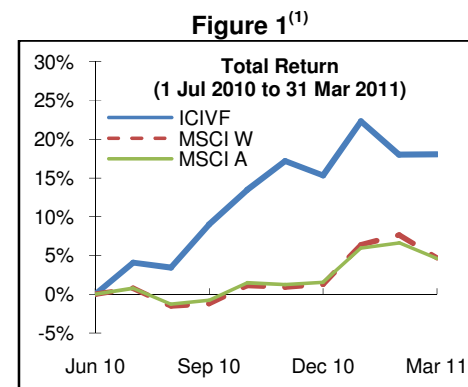
(1) Past performance is not a reliable indicator of future results.

i Capital International Value Fund

Interim Report of the Fund Manager

for the period 1 January 2011 to 31 March 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 January 2011 to 31 March 2011 (continued)

Fund Performance (continued)

Figure 5⁽¹⁾

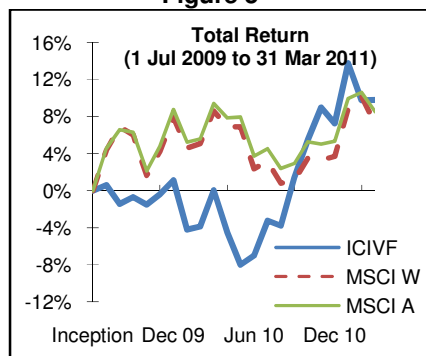
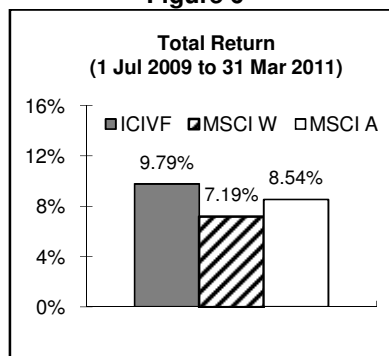


Figure 6⁽¹⁾



(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 January 2011 to 31 March 2011 (continued)

Outlook and Strategy

Towards the end of 2010, the *i* Capital International Value Fund sold its all holdings in Jasa Marga (Jakarta) and Bank Rakyat Indonesia (Jakarta), followed by sales of Skilled Group (ASX), Galaxy Entertainment (HKEX) and more recently, Tesco plc (London). The first four sales were related to valuation whilst the latter was for switching purpose. As a result, your fund now has 54.5% of its assets in cash.

As Capital Dynamics (Australia) Ltd advised on 24th January 2011, “*this cash would come in handy should conditions in the global equity markets become troublesome as 2011 unfolds.*” We are almost half-way through 2011 and a review now would be helpful.

The world economy is looking different from what it was or what was expected at the beginning of the year. In early 2011, global economic growth seems assured. Now, global growth is faltering, from Australia, Japan, the US, the Eurozone, India and to China, the global economic locomotive. The tri-disaster in Japan, the many natural disasters, and the political uprisings in North Africa and the Middle-East have been contributory factors but the key factor is inflation.

In the NAV commentary for December 2010, your fund manager wrote :

“Some have predicted that the coming Year of the Rabbit will be a good year. We are not entirely convinced that such a method of investing is helpful. From worries over deflation the world economy seems to have jumped to another worry – rising inflation Given the loose monetary policy worldwide, the rise in inflation bears close monitoring.”

In the two *i* Capital International Value Fund 2011 Gatherings held in April and May 2011, your fund manager saw turbulence in the global financial markets going forward. Capital Dynamics (Australia) Ltd views the current high level of cash as your Fund’s safety net and sticks steadfastly to its “Intelligently Eclectic” value investing philosophy.

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

i Capital International Value Fund

Performance information

Quarter ended 31 March 2011

Top 5 out-performing stocks (in local currency)	Third Quarter 31 March 2011 (% of change)
IP Group Plc	31%
Galaxy Entertainment Group Limited	23%
Beijing Capital Land Limited	10%
Mermaid Marine Australia Limited	8%
Skilled Group Limited	5%

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 January 2011), and held till the end of the quarter (i.e. 31 March 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 January 2011 and sold on 15 March 2011, its performance is only measured over 10 January to 15 March 2011 and not over the full quarter. Similarly, if it was bought on 20 July 2010 and sold on 15 February 2011, its performance is measured over the period 1 January to 15 February 2011.

Top 5 net assets attributable to unitholders at 31 Mar 2011 (in AUD)	
Mermaid Marine Australia Limited	36%
Australia and New Zealand Banking Group	10%
Rexlot Holdings Ltd	8%
New World Dept Store China	8%
Porsche Automobil Holding Se	5%

Country allocation for equities (in AUD)	
Australia	100%
Hong Kong	38%
Europe	36%
United Kingdom	10%
Singapore	9%
	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**

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.

***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.

© Capital Dynamics (Australia) Limited 2011. All Rights Reserved.

® "Capital Dynamics" and "*i* Capital" are registered trademarks.

***i* Capital International Value Fund**

Fund manager

Capital Dynamics (Australia) Limited
ABN 53 129 846 260
AFSL No 326283
Level 1, 61 York Street
Sydney, NSW 2000
AUSTRALIA
Tel. No: 61 (2) 92622621
Fax No: 61 (2) 92622729
Website: www.capitaldynamics.com.au
Email: info@capitaldynamics.com.au