

i Capital International Value Fund

ARSN 134578180

Quarterly Investment Report For the period 1 July 2011 to 30 September 2011

i Capital International Value Fund

Interim Report of the Fund Manager
for the period 1 July 2011 to 30 September 2011

Fund Performance

This is the first quarterly report of *i* Capital International Value Fund for the three months ended 30 September 2011.

For the period between 1 July 2011 and 30 September 2011, the net asset value (NAV) of the *i* Capital International Value Fund slipped 9.13% or from AUD0.9156 to AUD0.8320⁽¹⁾ per unit. This compares with a 8.64% decline in the MSCI World Index (AUD)⁽²⁾ and a 9.56% fall in the MSCI ACWI Index (AUD)⁽³⁾ during the said period - see **Figures 1** and **2** in page 5. As shown in **Table 3**, page 4, the cash level of your Fund has risen sharply by 30 September 2011 for reasons which we have already shared in the monthly NAV commentaries.

For the period between 1 January 2011 to 30 September 2011, the NAV of the *i* Capital International Value Fund decreased 21.36% or from AUD1.0580 to AUD0.8320⁽¹⁾ per unit. The fund made a distribution of AUD0.1546 in June 2011. The total return of the fund with the distribution reinvested is a loss of 8.09%. This compares with a 9.03% drop in the MSCI World Index (AUD)⁽²⁾ and a 10.48% drop 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 30 September 2011, the NAV of the *i* Capital International Value Fund declined by 16.80% or from AUD1.000 to AUD0.8320⁽¹⁾ 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 -1.42%. This compares with a 5.67% decline in the MSCI World Index (AUD)⁽²⁾ and a 5.68% decline 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) This index comprises prices from 24 developed countries.

(3) This index comprises prices from 45 countries, including China.

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for the period 1 July 2011 to 30 September 2011 (continued)

Fund Performance (continued)

Table 1 shows the percentage gain or loss of each company held by your Fund as at 30 September 2011. 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 (Sep 2011) A\$ *	% Change
BEIJING CAPITAL LAND LIMITED – H SHARES	0.56	0.22	-60.41%
CLOVER CORPORATION LIMITED	0.30	0.30	-0.15%
IP GROUP PLC	0.70	0.73	3.28%
MERMAID MARINE AUSTRALIA LIMITED	2.97	3.18	7.18%
MERMAID MARITIME PCL	0.58	0.22	-61.66%
NEW WORLD DEPT STORE CHINA	1.00	0.69	-31.15%
PORSCHE AUTOMOBIL HOLDING SE	90.47	61.04	-32.53%
REXLOT HOLDINGS LTD	0.10	0.07	-30.11%

*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.

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Interim Report of the Fund Manager

for the period 1 July 2011 to 30 September 2011(continued)

Fund Performance (continued)

Table 2 shows the percentage gain or loss arising from currency movements as at 30 September 2011, 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 (Sep 2011) A\$ **	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.47	-16.32%
CLOVER CORPORATION LIMITED	0.30	0.30	0.00%
IP GROUP PLC	0.70	0.73	3.62%
MERMAID MARINE AUSTRALIA LIMITED	2.97	2.97	0.00%
MERMAID MARITIME PCL	0.58	0.56	-4.15%
NEW WORLD DEPT STORE CHINA	1.00	0.84	-16.72%
PORSCHE AUTOMOBIL HOLDING SE	90.47	74.11	-18.09%
REXLOT HOLDINGS LTD	0.10	0.09	-11.21%

**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 July 2011 to 30 September 2011 (continued)

Fund Performance (continued)

Between 1 July 2011 and 30 September 2011, the NAV of your Fund slipped 9.13% ⁽¹⁾. This compares with a 8.64% decline in the MSCI World Index (AUD) and a 9.56% fall in the MSCI All Country Index (AUD) during the said period. The fall in NAV came about despite the high level of cash held by your Fund, as can be seen in **Table 3**. As Capital Dynamics (Australia) Ltd has previously explained, this high cash level will in the short-term pull back your Fund's performance.

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%

The portfolio of the *i* Capital International Value Fund as at 30 September 2011 is spread across 8 companies, which are engaged in a wide range of business activities. The top five investments are Mermaid Marine Australia Ltd (ASX), IP Group PLC (LSX), Rexlot Holdings Ltd (HKEX), New World Department Store China (HKEX), and Porsche Automobil Holding SE (Frankfurt). These 5 investments make up 32.7% (see page 8) of the fund's total assets. In the July to September 2011 period, your Fund sold its holdings of Australia and New Zealand Banking Group (ASX).

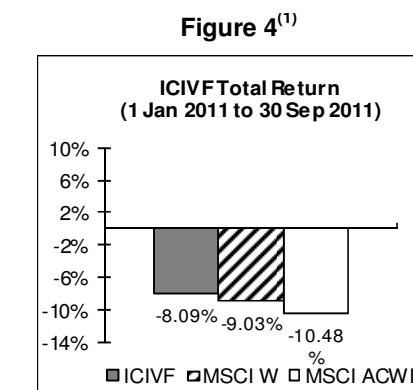
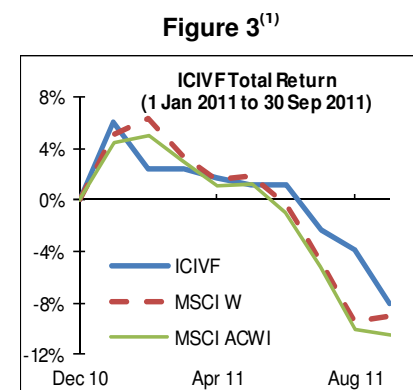
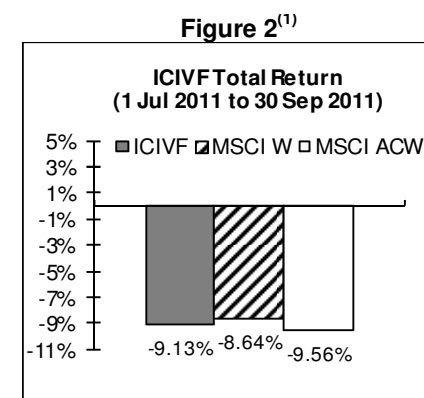
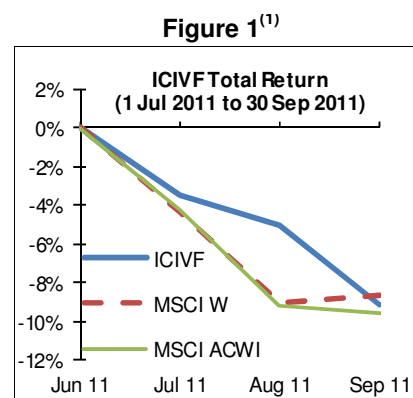
(1) Past performance is not a reliable indicator of future results.

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for the period 1 July 2011 to 30 September 2011 (continued)

Fund Performance (continued)



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

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for the period 1 July 2011 to 30 September 2011 (continued)

Fund Performance (continued)

Figure 5⁽¹⁾

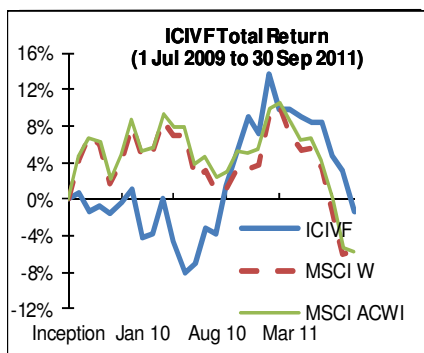
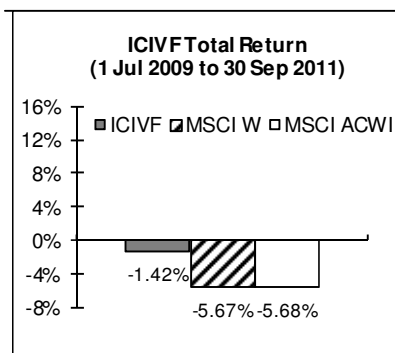


Figure 6⁽¹⁾



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

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for the period 1 July 2011 to 30 September 2011 (continued)

Outlook and Strategy

As the global economy greeted the Year of the Dragon, there is an apparent sense of relief that the global economy ended a year of turbulence without any further major calamities. In fact, 2012 seems to have started on a hopeful note.

In the recent months, the US economy appears to have proven the sceptics wrong by regularly posting economic data that were reassuring investors that the world's largest economy was not about to turn down again. Key among these is the unexpected cheer from the US job market. At the same time, while China's economic growth has been slowing down steadily, her inflation rate has also fallen substantially. With many policy options available to deal with an unexpected hard landing, China is once again poised to successfully soft land. The fact that the recent economic data and trends for the world's biggest and second biggest economies are moving in the right direction has substantially offset the worries arising from the continuing debt and sovereign crisis in the Eurozone.

According to the Chinese astrology, the Dragon is seen as an auspicious and positive animal. The Europeans have, in contrast, viewed the Dragon as an evil monster to be slayed. It is perhaps ironic that it will be the handling of the European debt and sovereign crisis that will determine whether this Year of the Dragon will be a dreadful year or a year of rejoicing and rebirth.

We conducted two annual Gatherings of the *i* Capital International Value Fund in 2011, one in Sydney and another in Kuala Lumpur. Similar Gatherings will be held this year. Be on the lookout for this unique event, where all investors are able to meet the Fund Manager in person.

Tan Teng Boo
Capital Dynamics (Australia) Limited
ABN 53 129 846 260 AFSL 326283
24 January 2012

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Performance information

Quarter ended 30 September 2011

Top 5 out-performing stocks (in local currency)	First Quarter 30 September 2011 (% of change)
Clover Corporation Limited	5%
Mermaid Marine Australia Limited	0%
IP Group Plc	-5%
Australia and New Zealand Banking Group Limited	-13%
Mermaid Maritime Plc	-21%

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 2011), and held till the end of the quarter (i.e. 30 September 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 Australia and New Zealand Banking Group Limited was bought on 10 July 2011 and sold on 14 September 2011, its performance is only measured over 10 July to 14 September 2011 and not over the full quarter. Similarly, if it was bought on 20 April 2010 and sold on 14 September 2011, its performance is measured over the period 1 July to 14 September 2011.

Top 5 net assets attributable to unitholders at 30 September 2011 (in AUD)	
Mermaid Marine Australia Limited	32.7%
IP Group PLC	11.8%
Rexlot Holdings Ltd	6.4%
New World Dept Store China	5.1%
Porsche Automobil Holding Se	5.0%
	4.4%

Country allocation for equities (in AUD)	
Hong Kong	100%
Australia	33%
United Kingdom	32%
Germany	16%
Singapore	11%
	8%

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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.

***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.

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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

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