

i Capital International Value Fund

ARSN 134578180

Quarterly Investment Report For the period 1 October 2011 to 31 December 2011

i Capital International Value Fund

Interim Report of the Fund Manager

for the period 1 October 2011 to 31 December 2011

Fund Performance

This is the second quarterly report of *i* Capital International Value Fund for the three months ended 31 December 2011.

For the period between 1 October 2011 and 31 December 2011, the net asset value (NAV) of the *i* Capital International Value Fund increased 1.32% or from AUD0.8320 to AUD0.8430⁽¹⁾ per unit. This compares with a 1.54% increase in the MSCI World Index (AUD)⁽²⁾ and a 1.18% increase 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 been rising sharply for reasons which we have already shared in the monthly NAV commentaries.

For the period between 1 July 2011 to 31 December 2011, the NAV of the *i* Capital International Value Fund decreased 7.93% or from AUD0.9156 to AUD0.8430⁽¹⁾ per unit. This compares with a 7.23% drop in the MSCI World Index (AUD)⁽²⁾ and an 8.50% 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 31 December 2011, the NAV of the *i* Capital International Value Fund declined by 15.70% or from AUD1.000 to AUD0.8430⁽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 AUD0.9156. The total return of the Fund with the distribution reinvested is a loss of 0.11%. This compares with a 4.21% decline in the MSCI World Index (AUD)⁽²⁾ and a 4.57% 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) A free float-adjusted market capitalization weighted index which consists of 24 developed markets.
- (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 October 2011 to 31 December 2011 (continued)

Fund Performance (continued)

Table 1 shows the percentage gain or loss of each company held by your Fund as at 31 December 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 (Dec 2011) A\$ *	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.24	-56.74%
CLOVER CORPORATION LIMITED	0.30	0.30	-0.15%
IP GROUP PLC	0.70	1.21	71.96%
MERMAID MARINE AUSTRALIA LIMITED	2.97	2.84	-4.28%
MERMAID MARITIME PCL	0.58	0.20	-65.92%
NEW WORLD DEPT STORE CHINA	1.00	0.70	-30.04%
PORSCHE AUTOMOBIL HOLDING SE	90.47	69.69	-22.97%
REXLOT HOLDINGS LTD	0.10	0.08	-24.16%

**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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for the period 1 October 2011 to 31 December 2011 (continued)

Fund Performance (continued)

Table 2 shows the percentage gain or loss arising from currency movements as at 31 December 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 (Dec 2011) A\$ **	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.44	-20.48%
CLOVER CORPORATION LIMITED	0.30	0.30	0.00%
IP GROUP PLC	0.70	0.69	-2.00%
MERMAID MARINE AUSTRALIA LIMITED	2.97	2.97	0.00%
MERMAID MARITIME PCL	0.58	0.53	-8.68%
NEW WORLD DEPT STORE CHINA	1.00	0.80	-20.87%
PORSCHE AUTOMOBIL HOLDING SE	90.47	67.97	-24.87%
REXLOT HOLDINGS LTD	0.10	0.08	-15.63%

** 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.

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Interim Report of the Fund Manager

for the period 1 October 2011 to 31 December 2011 (continued)

Fund Performance (continued)

Between 1 October 2011 and 31 December 2011, the NAV of your Fund climbed 1.33% ⁽¹⁾. This compares with a 1.54% increase in the MSCI World Index (AUD) ⁽²⁾ and a 1.18% rise in the MSCI ACWI 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%
End of Dec 11	58.14%	41.86%

The portfolio of the *i* Capital International Value Fund as at 31 December 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 35.5% (see page 9) of the fund's total assets.

(1) Slight difference might arise from figures rounding.

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

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Interim Report of the Fund Manager

for the period 1 October 2011 to 31 December 2011 (continued)

Fund Performance (continued)

Figure 1⁽¹⁾

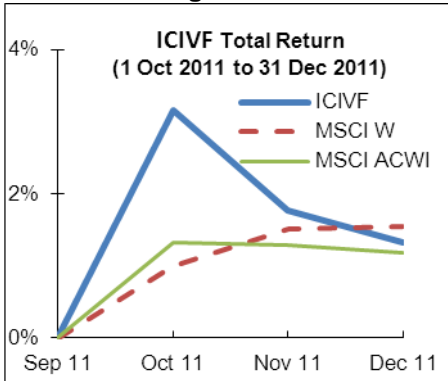


Figure 2⁽¹⁾

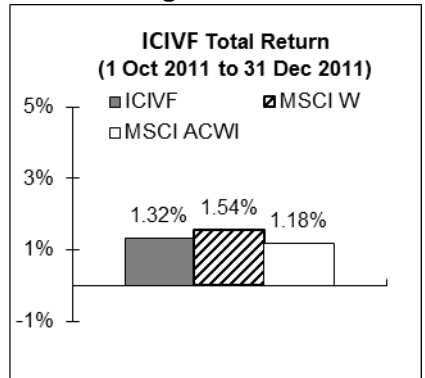


Figure 3⁽¹⁾

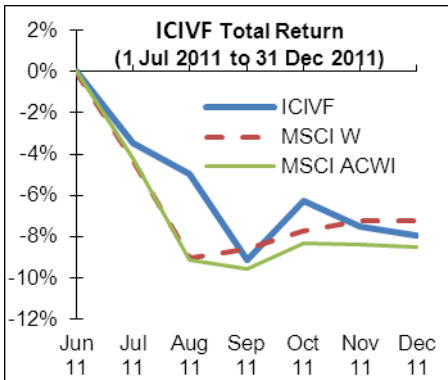
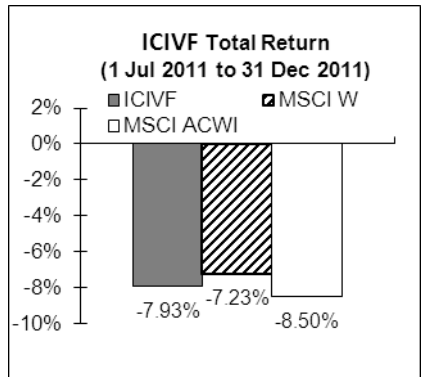


Figure 4⁽¹⁾



(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 October 2011 to 31 December 2011 (continued)

Fund Performance (continued)

Figure 5⁽¹⁾

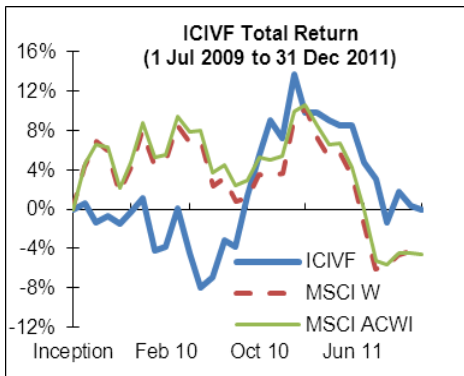
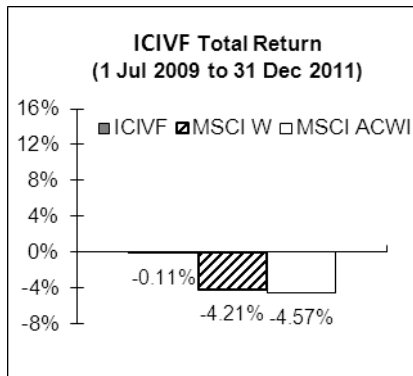


Figure 6⁽¹⁾



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

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for the period 1 October 2011 to 31 December 2011 (continued)

Outlook and Strategy

Since the 21st century began, the global economy has seen the emergence of China as a new global economic player. Within a short span of time, she has become so crucial to the state of the global economy that she is being watched for every movement, be it big or small. The scrutiny is not restricted to just economic developments. With many sceptics regularly predicting the demise of China, her political developments are closely watched too. In early March 2012, news that Bo Xilai was dismissed as party secretary of Chongqing captured the media headlines. Most commenters viewed his dismissal as a serious event, which would deepen China's power struggle and disrupt China's political stability. Capital Dynamics (S) Pte Ltd thinks these "experts" read too much from the event and the implications of the dismissal were being blown out of proportions. Why ?

Political analysts ranked Bo Xilai's dismissal on par with the purging of Zhao Ziyang in 1989 after the student-led demonstrations in Tiananmen Square. This comparison is inappropriate. The two events are vastly different in scale and depth in terms of the issue as well as the persons involved.

First, the demonstrations in 1989 were the most serious political crisis to hit China after the Cultural Revolution and directly challenged the authority of the Communist Party of China. The demonstrations had also spread to other parts of China. Now, the issue at hand is narrower and more personal in nature. It was triggered by the fleeing of Wang Lijun, Chongqing's former police chief, to the US consulate in Chengdu. Wang took this dramatic action because he believed his life was in danger following a rift with his boss, Bo Xilai. This incident cast doubt on Bo's leadership quality, and it brought tremendous embarrassment to the Chinese government. It was the severe loss of face that brought about the downfall of Bo Xilai, instead of his political leanings.

Secondly, while Bo Xilai is the son of a revolutionary hero, his seniority and influence is nowhere near that of Zhao Zhiyang, who was then the general secretary of the CPC.

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for the period 1 October 2011 to 31 December 2011 (continued)

Thirdly, the Tiananmen Square incident involved the use of force and was played out in front of international media. After Jun 4 1989, the US and her allies imposed economic sanctions on China which adversely affected China's exports and FDI inflows. On the other hand, the dismissal of Bo Xilai is China's internal affairs and will not have any impact on her economy.

In addition, it is not the first time that a provincial party chief had been removed in a high profiled manner. In 2006, Chen Liangyu, then CPC's secretary of Shanghai and a member of the political bureau of the CPC's central committee, was removed from his posts and subsequently sentenced to 18 years in prison. Although Chen Liangyu was considered as a key member of the so-called Shanghai Gang led by Jiang Zemin, his downfall did not disturb the balance of power within the CPC and spark a political crisis.

As the global economy greeted the Year of the Dragon, it is increasingly clear that the new year, which has started off well, will continue to do so. The dismissal of Bo Xilai will be quickly forgotten. China's economy will continue to expand and benefit the rest of the world. The only way for China's economy to progress is to look ahead and implement the reforms to remove the roadblocks that are still holding back China's economic development and continually improve the living conditions of China's 1.3 billion people, many of whom are still poor.

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

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Performance information

Quarter ended 31 December 2011

Second Quarter 31 December 2011 (% of change)

Top 5 out-performing stocks (in local currency)

IP Group Plc	66.49%
Porsche Automobil Holdings SE	14.18%
Beijing Capital Land Limited	9.29%
Rexlot Holdings Ltd	8.51%
New World Dept Store China	1.61%

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 October 2011), and held till the end of the quarter (i.e. 31 December 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 15 October 2011 and sold on 21 December 2011, its performance is only measured over 15 October to 21 December 2011 and not over the full quarter. Similarly, if it was bought on 20 April 2010 and sold on 21 December 2011, its performance is measured over the period 1 October to 21 December 2011.

Top 5 net assets attributable to unitholders at 31 December 2011 (in AUD)

Mermaid Marine Australia Limited	35.5%
IP Group PLC	10.6%
Rexlot Holdings Ltd	10.1%
New World Dept Store China	5.2%
Porsche Automobil Holding Se	4.9%
	4.7%

Country allocation for equities (in AUD)

Hong Kong	100%
Australia	31%
United Kingdom	27%
Germany	24%
Singapore	11%
	7%

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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**

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