

# **i Capital International Value Fund**

ARSN 134578180

**Quarterly Investment Report  
For the period 1 July 2012 to  
30 September 2012**

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

## **Interim Report of the Fund Manager**

for the period 1 July 2012 to 30 September 2012

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### **Fund Performance**

This is the first quarterly report of *i* Capital International Value Fund for the three months ended 30 September 2012.

For the period between 1 July 2012 to 30 September 2012, the net asset value (NAV) of the *i* Capital International Value Fund decreased 1.75% or from AUD0.8634 to AUD0.8483<sup>(1)</sup> per unit. This compares with a 4.62% increase in the MSCI World Index (AUD)<sup>(2)</sup> and a 4.72% increase in the MSCI ACWI Index (AUD)<sup>(3)</sup> 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 30 September 2012, the NAV of the *i* Capital International Value Fund inched down 7.35% or from AUD0.9156 to AUD0.8483<sup>(1)</sup> per unit. This compares with a 1.43% edge up in the MSCI World Index (AUD)<sup>(2)</sup> and a 0.13% edge down in the MSCI ACWI Index (AUD)<sup>(3)</sup> during the said period - see **Figures 3** and **4** in page 5.

For the period between 1 July 2009 and 30 September 2012, the NAV of the *i* Capital International Value Fund dropped by 15.17% or from AUD1.000 to AUD0.8483<sup>(1)</sup> per unit. The Fund made a distribution of AUD0.0126 in June 2010, AUD0.1546 in June 2011 and AUD0.025 in June 2012 and the after-distribution-NAV was AUD0.8483. The total return of the Fund with the distribution reinvested is a gain of 3.43%. This compares with a 4.73% inch up in the MSCI World Index (AUD)<sup>(2)</sup> and a 4.15% edge up in the MSCI ACWI 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 24 developed countries.

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

# i Capital International Value Fund

## Interim Report of the Fund Manager

for the period 1 July 2012 to 30 September 2012 (continued)

### Fund Performance (continued)

**Table 1** shows the percentage gain or loss of each company held by your Fund as at 30 September 2012. This table assumes no impact from currency movements.

**Table 1. Percentage gain or loss arising from stock price changes<sup>(1)(2)</sup>**

Securities in Australian Dollars	Average Cost (A\$)*	Price (Sep 2012) A\$ *	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.35	-37.22%
CHINA WINDPOWER	0.05	0.02	-49.96%
CLOVER CORPORATION LIMITED	0.30	0.54	78.07%
DISCOVERY COMMUNICATION	46.48	54.15	8.37%
IP GROUP PLC	0.70	1.87	166.34%
MERMAID MARINE AUSTRALIA LIMITED	2.97	3.11	4.82%
MERMAID MARITIME PCL	0.58	0.27	-53.85%
NEW WORLD DEPT STORE CHINA	1.00	0.68	-32.09%
PETRA DIAMONDS LTD	2.51	1.75	-30.44 %
PORSCHE AUTOMOBIL HOLDING SE	90.47	78.44	-13.29%
REXLOT HOLDINGS LTD	0.10	0.09	-12.26%
SKILLED GROUP LTD	2.70	2.56	-5.35 %

\*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 July 2012 to 30 September 2012 (continued)

### **Fund Performance (continued)**

**Table 2** shows the percentage gain or loss arising from currency movements as at 30 September 2012, assuming no change in stock prices.

**Table 2. Percentage gain or loss arising from currency movements** <sup>(1) (2)</sup>

Securities in Australian Dollars	Average Cost (A\$)**	Price (Sep 2012) A\$ **	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.44	-21.47%
CHINA WINDPOWER	0.05	0.05	3.22%
CLOVER CORPORATION LIMITED	0.30	0.30	0.00%
DISCOVERY COMMUNICATION	46.48	49.73	-0.48%
IP GROUP PLC	0.70	0.71	0.39%
MERMAID MARINE AUSTRALIA LIMITED	2.97	2.97	0.00%
MERMAID MARITIME PCL	0.58	0.55	-4.84%
NEW WORLD DEPT STORE CHINA	1.00	0.79	-21.85%
PETRA DIAMONDS LTD	2.51	2.61	4.10%
PORSCHE AUTOMOBIL HOLDING SE	90.47	66.41	-26.59%
REXLOT HOLDINGS LTD	0.10	0.08	-16.68%
SKILLED GROUP LTD	2.70	2.70	0.00%

\*\*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 2012 to 30 September 2012 (continued)

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### **Fund Performance (continued)**

Between 1 July 2012 and 30 September 2012, the NAV of your Fund decreased 1.75%. This compares with a 4.62% increase in the MSCI World Index (AUD) <sup>(1)</sup> and a 4.72% decrease 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**

	<b>Cash</b>	<b>Equities</b>
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%
End of Jun 12	33.54%	66.46%
End of Sep 12	15.04 %	84.96%

The portfolio of the *i* Capital International Value Fund as at 30 September 2012 is spread across 12 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), Discovery Communication (NASDAQ), Skill Group Ltd (ASX) and Petra Diamonds (LSX). These 5 investments make up 54.90% (see page 8) of the fund's total assets.

(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 July 2012 to 30 September 2012 (continued)

### Fund Performance (continued)

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

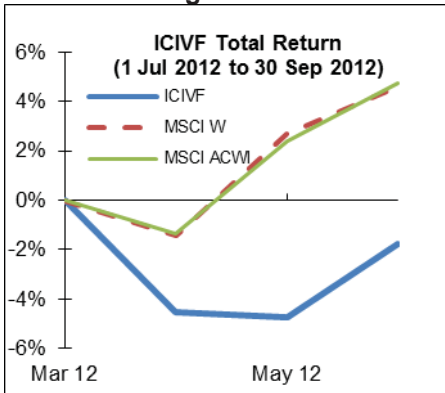


Figure 2<sup>(1)</sup>

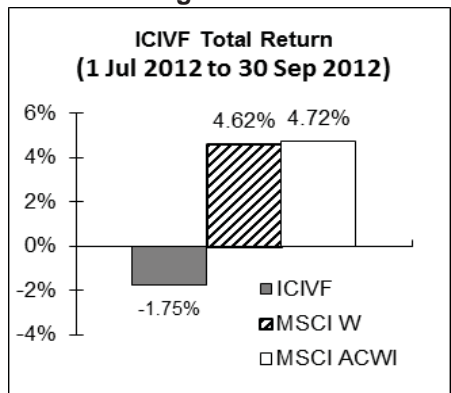


Figure 3<sup>(1)</sup>

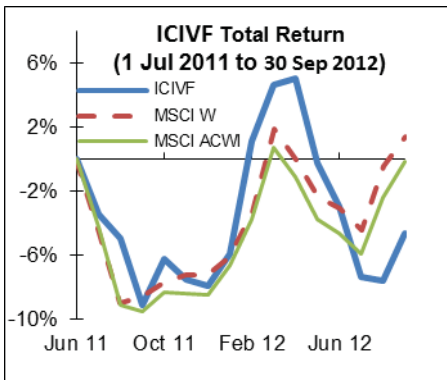
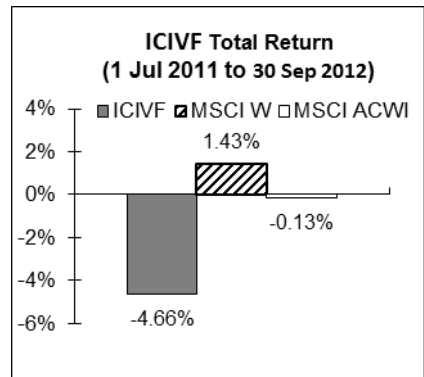


Figure 4<sup>(1)</sup>



(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 July 2012 to 30 September 2012 (continued)

### Fund Performance (continued)

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

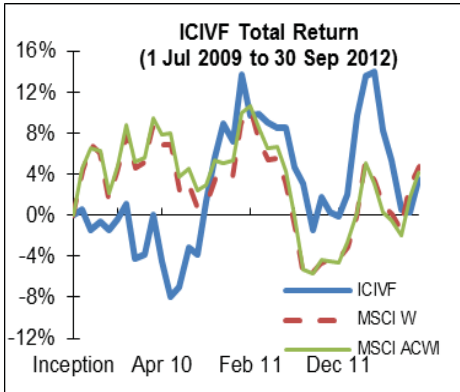
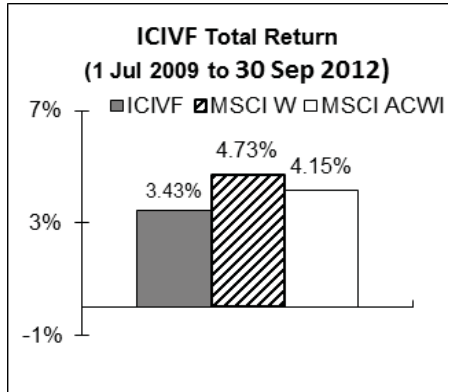


Figure 6<sup>(1)</sup>



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

# **i Capital International Value Fund**

## **Interim Report of the Fund Manager**

for the period 1 July 2012 to 30 September 2012 (continued)

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### **Outlook and Strategy**

When 2012 started, many thought that the Year of The Dragon would bring better times for the global economy and equity markets. For the greater part of 2012, hopes of such an outcome vanished as it has essentially been more of the same – the areas and regions that worried investors in 2011 repeated themselves in 2012. As investors now get ready for the Year of the Snake, there are, however, signs that for the first time in 5 years, the global economy and equity markets may be finally turning the corner that has long deluded the investing community.

The 2 major changes in political leadership in the US and China have turned out non-events. In 2009, China defied predictions that she would implode. In 2012, by successfully soft landing, China has done it again. Slow the progress may be but the Eurozone crisis is certainly abating. The adverse consequences of the fiscal cliff in the US are hotly debated but chances are that the US politicians would muddle through this crisis again. The fiscal cliff is a self-inflicted wound and surely the American politicians have enough sense and courage to get pass this fiscal crisis.

As your fund manager, Capital Dynamics (Australia) Ltd has been continuously searching for attractive investments. It has recently bought into a China consumer related group. The cash level of your fund has fallen further. As Sun Tzu counselled many thousands of years ago, in times of war, prepare for peace. Investors should heed this advice.

Tan Teng Boo  
Capital Dynamics (Australia) Limited  
ABN 53 129 846 260 AFSL 326283  
1<sup>st</sup> December 2012



# **i Capital International Value Fund**

## **Performance information**

Quarter ended 30 September 2012

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	<b>First Quarter 30 September 2012 (% of change)</b>
<b>Top 5 out-performing stocks (in local currency)</b>	
Clover Corporation Limited	42.11 %
Mermaid Maritime PCL	32.00 %
Porsche Automobil Holding SE	18.90 %
Discovery Communication	11.88 %
Mermaid Marine Australia Limited	10.28 %

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 2012), and held till the end of the quarter (i.e. 30 September 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 Skilled Group Ltd was bought on 19 Sep 2012 and sold on 30 Sep 2012, its performance is only measured over 19 Sep to 30 Sep 2012 and not over the full quarter. Similarly, if it was bought on 20 May 2011 and sold on 30 Sep 2012, its performance is measured over the period 1 Jul 2012 to 30 Sep 2012.

<b>Top 5 net assets attributable to unitholders at 30 September 2012 (in AUD)</b>	54.9 %
IP Group PLC	15.9 %
Mermaid Marine Australia Limited	11.5 %
Discovery Communication	10.0 %
Skilled Group	9.5 %
Petra Diamond	8.1 %

<b>Country allocation for equities (in AUD)</b>	100 %
United Kingdom	28 %
Australia	26 %
Hong Kong	23 %
United States of America	12 %
Europe	6 %
Singapore	5 %

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

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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

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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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