

i Capital International Value Fund

ARSN 134578180

Quarterly Investment Report For the period 1 October 2012 to 31 December 2012

i Capital International Value Fund

Interim Report of the Fund Manager

for the period 1 October 2012 to 31 December 2012

Fund Performance

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

For the period between 1 October 2012 to 31 December 2012, the net asset value (NAV) of the *i* Capital International Value Fund increased 7.93% or from AUD0.8483 to AUD0.9156⁽¹⁾ per unit. This compares with a 2.23% increase in the MSCI World Index (AUD)⁽²⁾ and a 2.63% 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 December 2012, the NAV of the *i* Capital International Value Fund stayed at AUD0.9156⁽¹⁾ per unit. This compares with a 3.69% edge up in the MSCI World Index (AUD)⁽²⁾ and a 2.50% edge up 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 2012, the NAV of the *i* Capital International Value Fund dropped by 8.44% or from AUD1.000 to AUD0.9156⁽¹⁾ 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 AUD0.9156. The total return of the Fund with the distribution reinvested is a gain of 11.63%. This compares with a 7.06% increase in the MSCI World Index (AUD)⁽²⁾ and a 6.89% increase 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 October 2012 to 31 December 2012 (continued)

Fund Performance (continued)

Table 1 shows the percentage gain or loss of each company held by your Fund as at 31 December 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 (Dec 2012) A\$ *	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.51	-8.95%
CHINA WINDPOWER	0.05	0.03	-28.33%
CLOVER CORPORATION LIMITED	0.30	0.58	93.04%
DAH CHONG HONG	1.02	1.01	-0.83%
DISCOVERY COMMUNICATION	49.97	56.53	13.12%
IP GROUP PLC	0.70	1.85	163.49%
MERMAID MARINE AUSTRALIA LIMITED	2.97	3.41	14.94%
MERMAID MARITIME PCL	0.58	0.28	-51.72%
NEW WORLD DEPT STORE CHINA	1.00	0.79	-21.04%
PETRA DIAMONDS LTD	2.51	1.68	-33.11%
PORSCHE AUTOMOBIL HOLDING SE	90.47	103.99	14.94%
REXLOT HOLDINGS LTD	0.10	0.09	-12.26%
SKILLED GROUP LTD	2.70	2.58	-4.61%

*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.

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Interim Report of the Fund Manager

for the period 1 October 2012 to 31 December 2012 (continued)

Fund Performance (continued)

Table 2 shows the percentage gain or loss arising from currency movements as at 31 December 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 (Dec 2012) A\$ **	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.44	-21.32%
CHINA WINDPOWER	0.05	0.05	3.42%
CLOVER CORPORATION LIMITED	0.30	0.30	0.00%
DAH CHONG HONG	1.02	1.02	0.26%
DISCOVERY COMMUNICATION	49.97	49.81	-0.32%
IP GROUP PLC	0.70	0.71	1.22%
MERMAID MARINE AUSTRALIA LIMITED	2.97	2.97	0.00%
MERMAID MARITIME PCL	0.58	0.56	-4.28%
NEW WORLD DEPT STORE CHINA	1.00	0.79	-21.70%
PETRA DIAMONDS LTD	2.51	2.63	4.96%
PORSCHE AUTOMOBIL HOLDING SE	90.47	68.17	-24.65%
REXLOT HOLDINGS LTD	0.10	0.08	-16.52%
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 October 2012 to 31 December 2012 (continued)

Fund Performance (continued)

Between 1 October 2012 and 31 December 2012, the NAV of your Fund increased 7.93%. This compares with a 2.23% increase in the MSCI World Index (AUD) and a 2.63% increase in the MSCI ACWI Index (AUD) during the said period ⁽¹⁾.

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%
End of Jun 12	33.54%	66.46%
End of Sep 12	15.04 %	84.96%
End of Dec 12	10.66 %	89.34%

The portfolio of the *i* Capital International Value Fund as at 31 December 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 53.20% (see page 8) of the fund's total assets.

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

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for the period 1 October 2012 to 31 December 2012 (continued)

Fund Performance (continued)

Figure 1⁽¹⁾

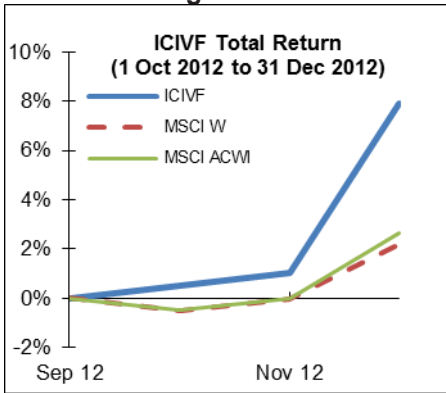


Figure 2⁽¹⁾

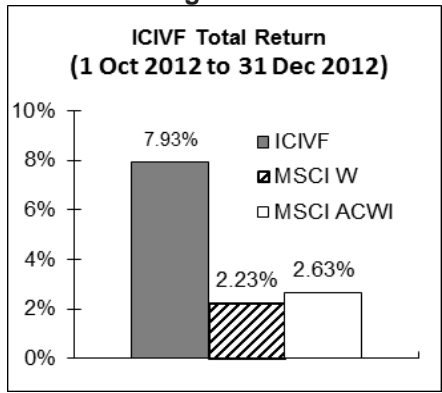


Figure 3⁽¹⁾

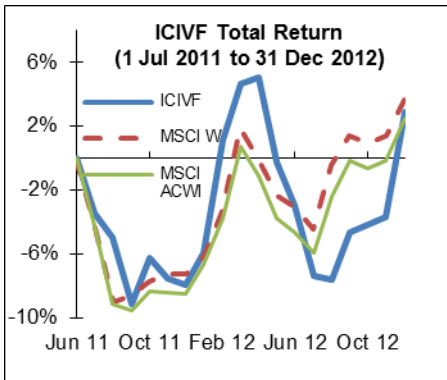
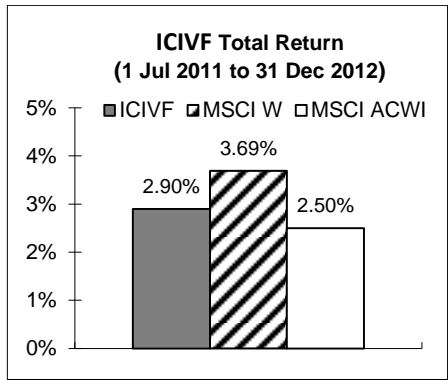


Figure 4⁽¹⁾



(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 October 2012 to 31 December 2012 (continued)

Fund Performance (continued)

Figure 5⁽¹⁾

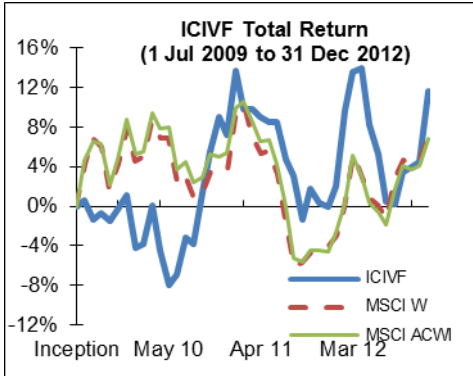
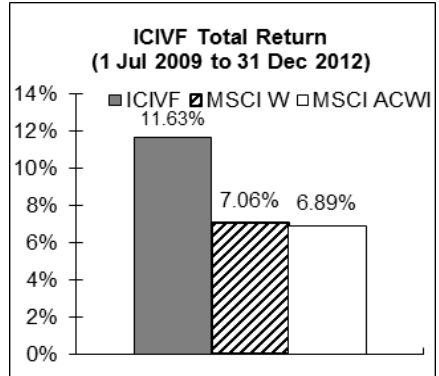


Figure 6⁽¹⁾



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

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Interim Report of the Fund Manager

for the period 1 October 2012 to 31 December 2012 (continued)

Outlook and Strategy

When the Year of the Dragon was entering its closing months, global stock markets rallied, which was sparked by unexpectedly reassuring data from China and the United States. Now, as the Year of the Snake winds its way through, investors are wondering whether the said rally is just another temporary phase or whether the global economy and markets, after years of turbulence, have finally shed their bearish skins.

The *i*Capital International Value Fund was launched in the depths of the 2008 US-led global financial crisis. Investors who came in then have had to endure many scary periods filled with unprecedented uncertainties. With such a prolonged period of difficulties serving as a backdrop, investors would have developed a negative bias, a prejudice that the last 4 to 5 years is the normal state of being. They are not normal. If one takes a long-term perspective, the last few years were just a glitch in an unprecedented global economic transformation which has been unfolding and which is still continuing to unfold at a frenzied pace. What do we mean?

As Capital Dynamics (Australia) Ltd has repeatedly advised as part of its *i*Capital Long Boom theory, this secular global transformation is essentially led by China. She became the world's biggest exporter in 2009, surpassed Japan as the world's second-largest economy in 2010 and in 2012, surpassed the US to become the world's biggest trading nation. From a longer-term perspective, this is the norm, not the period from 2008 to 2012.

As your fund manager, Capital Dynamics (Australia) Ltd continues to search for attractive investments.

Tan Teng Boo

Capital Dynamics (Australia) Limited

ABN 53 129 846 260 AFSL 326283

22nd February 2013

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Performance information

Quarter ended 31 December 2012

	Second Quarter 31 December 2012 (% of change)
Top 5 out-performing stocks (in local currency)	
Beijing Capital Land Limited	45.05%
China Windpower	42.50%
Porsche Automobil Holding SE	32.55%
New World Dept Store	16.28%
Mermaid Marine Australia Limited	9.65%

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 2012), and held till the end of the quarter (i.e. 31 December 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 Dah Chong Hong was bought on 8 Nov 2012 and sold on 31 Dec 2012, its performance is only measured over 8 Nov to 31 Dec 2012 and not over the full quarter. Similarly, if it was bought on 20 Sep 2012 and sold on 31 Dec 2012, its performance is measured over the period 1 Oct 2012 to 31 Dec 2012.

Top 5 net assets attributable to unitholders at 31 December 2012 (in AUD)	53.2%
IP Group PLC	15.0%
Mermaid Marine Australia Limited	11.9%
Discovery Communication	9.8%
Skilled Group	9.0%
Petra Diamond	7.4%

Country allocation for equities (in AUD)	100%
Hong Kong	27%
United Kingdom	25%
Australia	25%
United States of America	11%
Europe	7%
Singapore	4%

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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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