

i Capital International Value Fund

ARSN 134578180

Quarterly Investment Report For the period 1 January 2013 to 31 March 2013

i Capital International Value Fund

Interim Report of the Fund Manager

for the period 1 January 2013 to 31 March 2013

Fund Performance

This is the third quarterly report of *i* Capital International Value Fund for the three months ended 31 March 2013.

For the period between 1 January 2013 to 31 March 2013, the net asset value (NAV) of the *i* Capital International Value Fund increased 8.29% or from AUD0.9156 to AUD0.9915⁽¹⁾ per unit. This compares with a 6.73% increase in the MSCI World Index (AUD)⁽²⁾ and a 5.54% 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 2012 to 31 March 2013, the NAV of the *i* Capital International Value Fund increased 14.83% or from AUD0.8634 to AUD0.9915⁽¹⁾ per unit. This compares with a 14.14% increase in the MSCI World Index (AUD)⁽²⁾ and a 13.43% increase 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 March 2013, the NAV of the *i* Capital International Value Fund dropped by 0.85% or from AUD1.000 to AUD0.9915⁽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 AUD0.9915. The total return of the Fund with the distributions reinvested is a gain of 20.88%. This compares with a 14.26% increase in the MSCI World Index (AUD)⁽²⁾ and a 12.81% 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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Interim Report of the Fund Manager

for the period 1 January 2013 to 31 March 2013 (continued)

Fund Performance (continued)

Table 1 shows the percentage gain or loss of each company held by your Fund as at 31 March 2013. 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 (Mar 2013) A\$ *	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.45	-19.13%
CHINA WINDPOWER	0.05	0.04	-25.81%
CLOVER CORPORATION LIMITED	0.30	0.62	106.36%
DAH CHONG HONG	1.02	0.91	-10.56%
DISCOVERY COMMUNICATION	49.97	67.19	34.47%
IP GROUP PLC	0.70	2.31	228.09%
MERMAID MARINE AUSTRALIA LIMITED	2.97	3.76	26.73%
MERMAID MARITIME PCL	0.58	0.29	-50.30%
NEW WORLD DEPT STORE CHINA	1.00	0.71	-29.09%
PETRA DIAMONDS LTD	2.51	1.89	-24.49%
PORSCHE AUTOMOBIL HOLDING SE	90.47	96.10	6.22%
REXLOT HOLDINGS LTD	0.10	0.10	1.12%
SKILLED GROUP LTD	2.70	3.56	31.62%

*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 January 2013 to 31 March 2013 (continued)

Fund Performance (continued)

Table 2 shows the percentage gain or loss arising from currency movements as at 31 March 2013, 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 (Mar 2013) A\$ **	%Change
BEIJING CAPITAL LAND LIMITED - H SHARES	0.56	0.44	-21.76%
CHINA WINDPOWER	0.05	0.05	2.83%
CLOVER CORPORATION LIMITED	0.30	0.30	0.00%
DAH CHONG HONG	1.02	1.02	-0.31%
DISCOVERY COMMUNICATION	49.97	49.60	-0.73%
IP GROUP PLC	0.70	0.66	-5.84%
MERMAID MARINE AUSTRALIA LIMITED	2.97	2.97	0.00%
MERMAID MARITIME PCL	0.58	0.54	-6.15%
NEW WORLD DEPT STORE CHINA	1.00	0.78	-22.14%
PETRA DIAMONDS LTD	2.51	2.45	-2.36%
PORSCHE AUTOMOBIL HOLDING SE	90.47	66.12	-26.92%
REXLOT HOLDINGS LTD	0.10	0.08	-17.00%
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 January 2013 to 31 March 2013 (continued)

Fund Performance (continued)

Between 1 January 2013 and 31 March 2013, the NAV of your Fund increased 8.29%. This compares with a 6.73% increase in the MSCI World Index (AUD) and a 5.54% 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%
End of Mar13	8.09%	91.91%

The portfolio of the *i* Capital International Value Fund as at 31 March 2013 is spread across 13 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), Skilled Group Ltd (ASX), Discovery Communications (NASDAQ), and Petra Diamonds (LSX). These 5 investments make up 58.8% (see page 8) of the fund's total assets.

(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 January 2013 to 31 March 2013 (continued)

Fund Performance (continued)

Figure 1⁽¹⁾

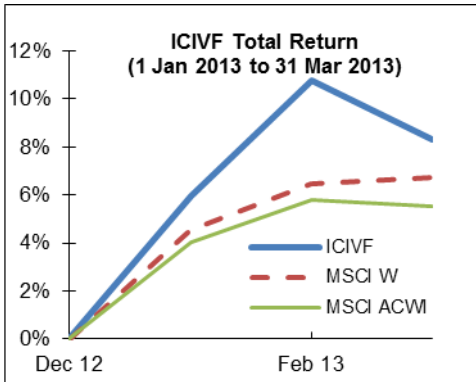


Figure 2⁽¹⁾

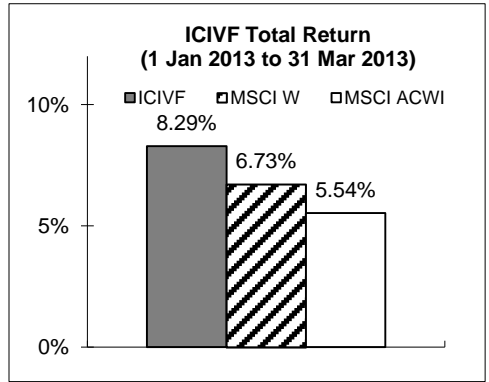


Figure 3⁽¹⁾

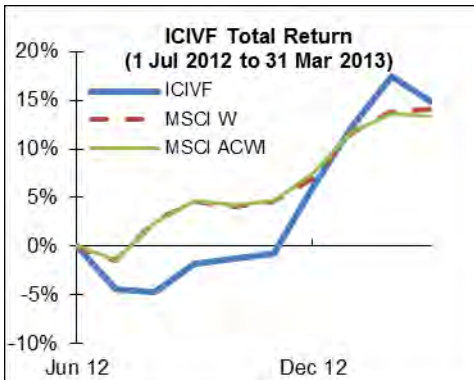
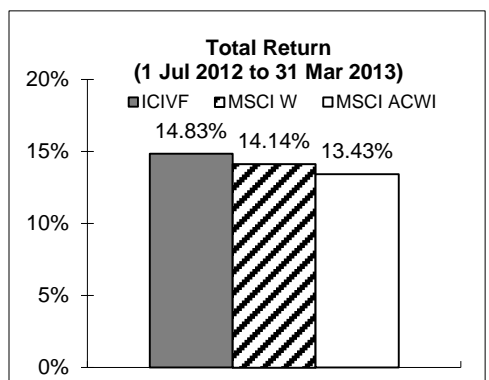


Figure 4⁽¹⁾



(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 January 2013 to 31 March 2013 (continued)

Fund Performance (continued)

Figure 5⁽¹⁾

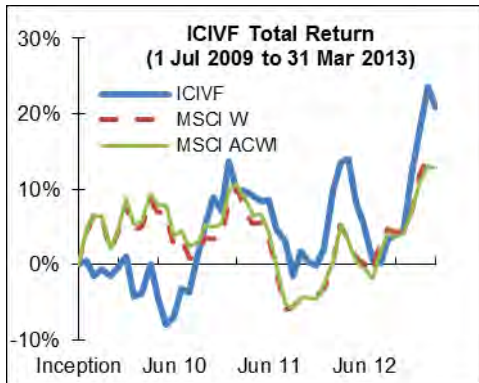
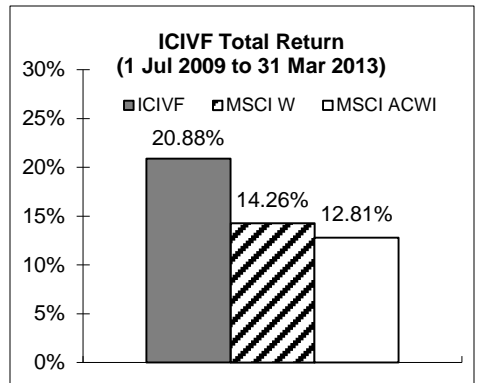


Figure 6⁽¹⁾



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

Outlook and Strategy

On 23 May 2013, led by the 7.3% plunge in the Tokyo stock market, markets in Asia and Europe were rattled by renewed fears of the global economy slowing down again. The Eurozone's purchasing managers' composite index for the manufacturing and services sectors in May remained short of the 50 level which signifies growth. In the US, Chairman Bernanke started the ball rolling when he spoke about ending the Federal Reserve bond purchases. US bond yields surged. In Japan, the Japanese 10-year bond yield hit 1% for the first time since April 2012. To add further salt into the wound, China's purchasing managers' index for her manufacturing sector in May 2013 was weaker than expected. All of a sudden, the old fears about the global economy re-surfaced.

When one reads reports concerning the high frequency economic figures, there can be a lot of noises surrounding them. In order to prevent such noises from distracting investors, it is useful to stand back and take a broader and longer-term view. Take China, an economy that is highly crucial for Australia, for example.

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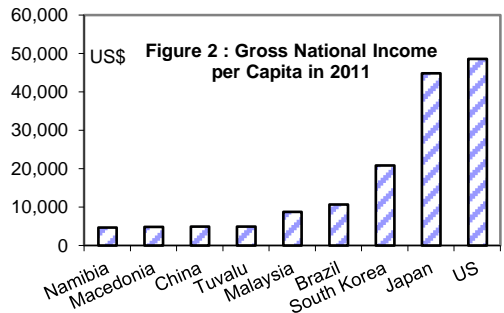
Interim Report of the Fund Manager

for the period 1 January 2013 to 31 March 2013 (continued)

Outlook and Strategy (continued)

There is no doubt that China's headline GDP growth is not as robust as before 2007. It was intended to be this way. It is impossible for the 2nd largest economy in the world to keep expanding forever at a 10% rate. China knows that her economy has to adjust to a different growth platform and this is precisely what her leaders and policymakers have been doing except that they have been doing it silently instead of reacting to the useless "noises." Readjusting her growth path also means that annual growth rates of 7-8% will be the norm for the next 2-3 decades.

The top Chinese leaders and policymakers are really not concerned whether China is the 2nd largest or the largest economy in the world or whether she has the biggest armed forces or not. Her leaders and policymakers are sensible and practical enough to be focused on the fact that China's per capita income is still at an extremely low level – see figure 1 for comparison with other countries.



In 2011, according to the World Bank, China's gross national income per capita of US\$4,940 ranked 114th in the world and over 170 million Chinese people still live below the US\$1.25-a-day international poverty line. After 30 plus years of rapid growth, China still has the second largest number of poor people in the world after India but moving down from being the largest to the second largest is one heck of an achievement. For China's leaders and policymakers, poverty reduction remains a fundamental challenge. 170 million people are more than half of America's population. Moving them away from poverty as speedily as possible is a key aim.

For investors, what the above facts imply is simple. If your only concern is with this month's or this quarter's economic numbers, then, you are only seeing the roots, not even the trees and missing the huge entire forest. The key thing to monitor is China moving up from the 114th to the 14th place, for example. That is when the fun, at least for the genuine long-term investors, begins.

Tan Teng Boo

Capital Dynamics (Australia) Limited

ABN 53 129 846 260 AFSL 326283

24th May 2013

i Capital International Value Fund

Performance information

Quarter ended 31 March 2013

	Third Quarter 31 March 2013 (% of change)
Top 5 out-performing stocks (in local currency)	
Skilled Group Ltd	37.98%
IP Group PLC	24.52%
Discovery Communications	18.87%
Rexlot Holdings Ltd	15.25%
Petra Diamonds Ltd	12.89%

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 2013), and held till the end of the quarter (i.e. 31 March 2013). 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 Jan 2012 and sold on 31 Mar 2013, its performance is only measured over 8 Jan to 31 Mar 2013 and not over the full quarter. Similarly, if it was bought on 20 Sep 2012 and sold on 31 Mar 2013, its performance is measured over the period 1 Jan 2013 to 31 Mar 2013.

Top 5 net assets attributable to unitholders at 31 March 2013 (in AUD)	58.8%
IP Group PLC	16.4%
Mermaid Marine Australia Limited	12.4%
Skilled Group	11.7%
Discovery Communications	11.0%
Petra Diamonds	7.3%

Country allocation for equities (in AUD)	100%
Australia	28%
United Kingdom	26%
Hong Kong	25%
United States of America	12%
Europe	6%
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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