



Quarterly Investment Report
For the period 1 January 2015 to 31 March 2015

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Investment Objective	To achieve long-term capital appreciation
Who should invest?	Investors seeking a value investing style, exposure to the global stock markets, who are able to adopt a long-term outlook and endure performance fluctuations
Buy / Sell Spread	Nil
Management Fee	1.5375% p.a.
Performance Fee	20.50% p.a. only chargeable if the following three criteria are met in the same period <ul style="list-style-type: none"> 1. Market value exceeds 6% annual rate of return and 2. Market value exceeds 6% annual compound rate of return and 3. Both annual and annual compound returns must still be above 6% if a performance fee is chargeable
Inception Date	1 Jul 2009
Minimum Investment (AUD)	\$20,000
Additional Investment (AUD)	\$2,000
Income Distribution	Annually (if any)

PERFORMANCE REVIEW

By 31 March 2015, the Fund has, from its inception in July 2009, delivered an annual compound return of 7.36%, net of expenses. This is commendable as the return was generated during a very turbulent period and is higher than the average return obtained from a 1-year time deposit. The cumulative total return of the Fund is 50.45%. Comparative benchmark figures are shown in Figure 1 and Table 1.

MARKET REVIEW AND OUTLOOK

At the time of writing this commentary, the *i* Capital International Value Fund still has about 80% of its NAV in cash and about 80% of this is held in US\$ and HK\$. The high cash level is a result of the “Bamboo” eclectic value investing philosophy of Capital Dynamics (Australia) Ltd, your fund manager. With the rich valuation of many stock markets, it has been hard to find sound investment ideas at attractive prices. In the first instance, what is value investing? What is it about value investing that makes it a successful time-tested investing method?

Many of us would have read about the recent cruise ship disaster in the Yangtze River in China where hundreds of passengers died. As a value investor, this tragedy offers precious insights and lessons about risk management. While investigations are being conducted in the capsizing of MV Dong Fang Zhi Xing (Eastern Star), a few points stand out.

At around the same time as the Eastern Star capsized, the captains of at least two other ships on the same section of the Yangtze River chose to anchor their ships on that night after the local maritime bureau sent a warning to expect heavy rain and thunderstorms for the next six hours. The passenger vessel, Yangtze Sightseer No. 6, anchored at around 9:10 pm, six miles away from the disaster. The car carrier, Changhang Jiangning, dropped anchor in order to wait out the

During the 1 January 2015 to 31 March 2015 quarter, the Fund returned 4.15% after fees. This compares with the MSCI ACWI Index and ASX200 in AUD (benchmark) return of 9.08% and 8.88%, resulting in relative performance of -4.93% and -4.73%. For the year ending 31 March 2015, the Fund returned 2.15% after fees which compares with the benchmark returns of 25.38% and 9.21%.

storm just as it was being overtaken by the Eastern Star. The Eastern Star is believed to have capsized at around 9:30 pm.

It was clear that the weather conditions in the Yangtze River were rough and dangerous. A safe approach was to anchor and wait for the adverse weather conditions to pass. The same principle applies when investing in the stock markets. Like the captains of the two other ships, we know that the prevailing economic and investment landscape is stormy. With so many stock markets priced for perfection, and the US monetary policy badly handled, investing now would be like the tragic Eastern Star. Holding the high level of cash is like anchoring our ship and patiently waiting. A richly valued stock market, like a ship in turbulent weather conditions, can be easily capsized by any adverse event.

The NAV of the *i* Capital International Value Fund can be viewed at either www.capitaldynamics.com.au or www.funds.icapital.biz.



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FUND PERFORMANCE 1

Figure 1 ICIVF Total Return (1 Jul 2009 to 31 Mar 2015)

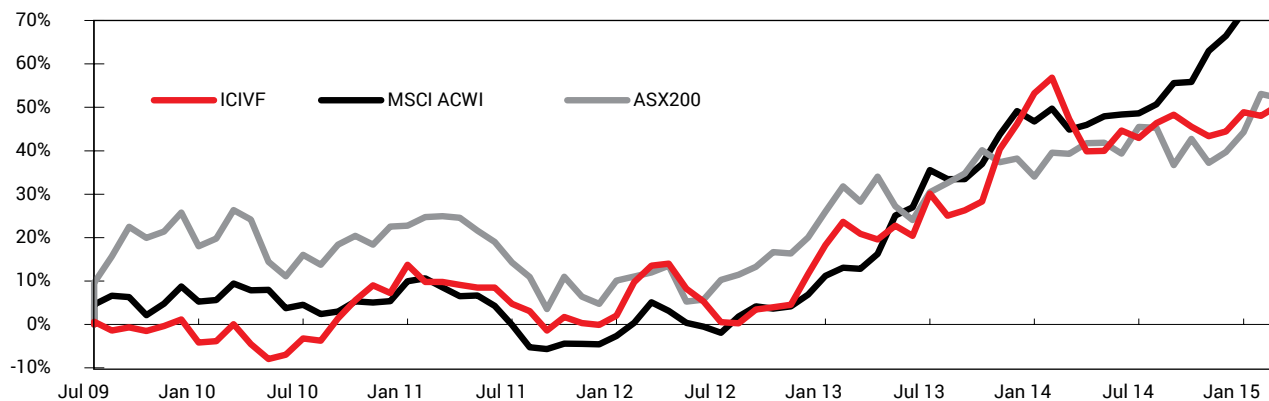


Table 1 Cumulative Total return and Compound return

	Cumulative Total Return (%)			Compound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICIVF (AUD)	2.15%	24.46%	50.45%	7.36%
MSCI ACWI (AUD)	25.38%	60.99%	81.61%	10.93%
ASX200 (AUD)	9.21%	18.62%	52.14%	7.57%

Note : Past performance is not a reliable indicator of future performance. Performance is calculated in Australian dollars, net of ongoing fees and expenses and assumes reinvestment of distributions.

Table 2 Top 4 performing stocks (in local currency)

	Quarter ending 31 Mar 2015 (% of change)
Concord New Energy	30.12%
QBE Insurance	16.32%
IP Group PLC	9.15%
Mermaid Marine Australia Limited	0.65%

The table above presents the top 4 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 2015), and held till the end of the quarter (i.e. 31 March 2015). 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 Concord New Energy was bought on 21 January 2015 and sold on 31 March 2015, its performance is only measured over 21 January 2015 to 31 March 2015 and not over the full quarter. Similarly, if it was bought on 1 January 2015 and sold on 11 March 2015, its performance is measured over the period 1 January 2015 to 11 March 2015.

FUND PERFORMANCE 3

Table 3 shows the percentage gain or loss of each company held by your Fund as at 31 March 2015. This table assumes no impact from currency movements or constant exchange rates.

Table 3 Percentage gain or loss arising from stock price changes

Security	Average Cost (A\$)	Price Mar 2015 (A\$)	% Change
Clover Corporation Limited	0.30	0.22	-26.78%
Concord New Energy	0.05	0.06	35.80%
Dah Chong Hong	1.02	0.47	-53.52%
Mermaid Maritime PCL	0.58	0.19	-68.05%
QBE Insurance	16.19	13.04	-19.48%
Rexlot Holdings Ltd	0.10	0.09	-13.75%

Table 4 shows the percentage gain or loss arising from currency movements as at 31 March 2015. This table assumes no change in stock prices or constant stock prices.

Table 4 Percentage gain or loss arising from currency movements

Security	Average Cost (A\$)	Price Mar 2015 (A\$)	% Change
Clover Corporation Limited	0.30	0.30	0.00%
Concord New Energy	0.05	0.07	40.50%
Dah Chong Hong	1.02	1.39	36.21%
Mermaid Maritime PCL	0.58	0.67	15.84%
QBE Insurance	16.19	16.19	0.00%
Rexlot Holdings Ltd	0.10	0.11	13.42%

PORTFOLIO INFORMATION

Table 5 Percentage of assets held as cash

	Cash (%)	Equities (%)
End of Jun 2014	45.54%	54.46%
End of Sep 2014	50.03%	49.97%
End of Dec 2014	77.38%	22.62%
End of Mar 2015	80.90%	19.10%

Table 6 Top 5 holdings as at end March 2015

	18.7%
Concord New Energy	6.3%
Rexlot Holdings Ltd	5.8%
QBE Insurance	3.5%
Mermaid Maritime PCL	2.3%
Dah Chong Hong	0.9%

Table 7 Portfolio breakdown for equities by region as at end March 2015 (in AUD)

	100%
Hong Kong	67%
Australia	20%
Singapore	12%

About *i* Capital International Value Fund

The *i* Capital International Value Fund invests in listed securities in Australia and internationally.

The strategy is driven by an intelligently eclectic “Bamboo value investing” philosophy with an emphasis on the margin of safety created by stock selections based on divergences between market prices and the underlying intrinsic values of the companies.

The objective of Capital Dynamics (Australia) Limited (CDAL) is to seek long-term capital appreciation whilst reducing the margin of error when investing. This is achieved with a rigorous, innovative and well-defined value investing approach.

Unlike conventional value investing, CDAL adopts a bottom-up approach to portfolio construction, overlaid with a macro view. The objective of CDAL is to obtain a sound investment framework that allows for a clear perspective of how economies, markets and sentiment interact and how this interaction influences its investments.

About the Group

Capital Dynamics is an independent global fund manager and investment adviser, not tied to any bank, insurer, stockbroker or political organisation.

Our managed funds and investment advisory service are all directly accessible by individual, corporate and institutional investors around the world, and we also offer individually managed accounts to wholesale investors. Currently we manage over US\$300m, from our offices in Kuala Lumpur, Singapore, and Sydney. Our investment advisory service is provided via *i* Capital newsletter, a weekly publication, and www.icapital.biz. It is available in English and Chinese.

Philosophies

Independence, intelligence and integrity drive all business and investment decisions at Capital Dynamics. Integrity is central to our corporate culture, and to our loyal clients of many years, our word has proven to be our bond. Capital Dynamics has some of the most stringent compliance policies in the industry.

As a global fund manager, our “Bamboo value investing” philosophy is unique, and has enabled Capital Dynamics to generate sustained superior returns. Based on long-only investment principles, our value investing approach is given flexibility with the addition of macroeconomic factors and further investment intelligence from our team of fund managers and analysts. We go behind the commercial veneer of companies, travelling globally to research first hand.

GLOSSARY

“Bamboo” eclectic value investing philosophy

Formulated and developed by Tan Teng Boo, and based on the investing principles of Benjamin Graham, Warren Buffett and Philip Fisher, adaptations and modifications have been made to match the type of markets and economies in which we invest in to achieve a rigorous, innovative and well-defined value investing approach that has enabled us to generate sustained superior returns.

Yangtze Cruise Ship Disaster

MV Dōngfāng zhī Xīng, translated as Eastern Star, was a cruise ship that was travelling on the Yangtze River with 454 people on board on 1 June 2015 when it capsized in severe weather.

US Monetary Policy

The US Federal Reserve sets the US monetary policy to promote the objectives of maximum employment, stable prices, and moderate long-term interest rates.

MSCI Indices

Varying indices that are designed to measure and track equity market performance across developed, emerging and frontier Markets. MSCI Indices are used as a reference to determine how the fund performs in relation to the total market opportunity it invests in.

Past performance is not a reliable indicator of future performance. Performance is calculated in Australian dollars, net of ongoing fees and expenses and assumes reinvestment of distributions.

Capital Dynamics (Australia) Limited (CDAL) (ABN 53 129 846 260 | AFSL 326283) is the responsible entity and issuer of *i* Capital International Value Fund (“Fund”). The Product Disclosure Statement dated 16 May 2014 (“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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NOTES



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BY Capital Dynamics

INDEPENDENCE * INTELLIGENCE * INTEGRITY

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