i Capital International Value Fund ARSN 134 578 180

Q4

Quarterly Investment Report
For the period 1 April 2015 to 30 June 2015

CONTENTS

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 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 30 June 2015, the Fund has, from its inception in July 2009, delivered an annual compound return of 6.88%, 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 49.02%. Comparative benchmark figures are shown in figure 2 and table 1.

During the 1 April 2015 to 30 June 2015 quarter, the Fund returned -0.95% after fees. This compares with the MSCI ACWI Index and ASX200 in AUD (benchmark) return of -0.90% and -7.34%, resulting in relative performance of -0.05% and 6.39%. For the year ending 30 June 2015, the Fund returned 3.02% after fees which compares with the benchmark returns of 21.30% and 1.17%.

MARKET REVIEW AND OUTLOOK

Is the US Federal Reserve omnipotent ? What does omnipotent mean? Omnipotent means all powerful, invincible, or God-like. Is the US Federal Reserve omnipotent then ? Based on the response of the NYSE/NASDAQ, and many other stock markets and the articles in the Western financial media, the US Federal Reserve is certainly treated in an omnipotent manner. The words and actions of Janet Yellen and the Federal Reserve are reported and treated as if they are coming from the almighty and investors react to them as if they are the end all and be all.

The question that Capital Dynamics (Australia) Ltd would then want to ask is this : should the US Federal Reserve be treated in this manner? At the risk of sounding bizarre or going against the mainstream thinking, Capital Dynamics (Australia) Ltd would caution investors and would advise them to be more circumspect. In its relatively short history of just over a hundred years, the US Federal Reserve has made many huge blunders and repeated highly expensive mistakes and hurting millions of investors and savers, both in America and in the rest of the world. The most recent blunder, whether intentional or otherwise, created the most serious economic and financial crisis since the 1929 Great Depression. The collapse of Lehman Brothers in Sep 2008 triggered a global calamity, the consequence of which the global economy, seven long years later, is still trying to recover from.

For years, Capital Dynamics (Australia) Ltd has been putting the blame of the collapse of Lehman Brothers squarely on Ben Bernanke and the US Federal Reserve. Ever since Lehman Brothers went bust in Sep 2008, we have been saying that Ben Bernanke could have and should have rescued Lehman Brothers and by failing to do so, he caused the greatest financial and economic crisis since the 1929 Great Depression. We have been saying that Ben Bernanke "strangely and inexplicably" allowed Lehman Brothers to go bankrupt in Sep 2008. It has been very tough to get US experts to back up these views and the American financial media has strangely been very silent on this vital issue. Now, a law professor from Chicago University is confirming and vindicating what Capital Dynamics has been saying all this while.

"Bernanke's Biggest Blunder - This student of the Great Depression repeated a terrible mistake of the Great Depression" an insightful article written by Eric Posner, a professor at the University of Chicago Law School and author of The Twilight of International Human Rights Law, must be read by all. We reproduce his article below.

"In his just-published memoir, Ben Bernanke repeats his claim that he failed to rescue the Lehman Brothers investment bank in September 2008, while he was chairman of the Federal Reserve, because he believed that he lacked the legal authority to do so. This claim is a convenient excuse for the biggest mistake in the government's response to the financial crisis. While the Lehman collapse did not cause the crisis, it significantly worsened it. Bernanke, along with Bush administration Treasury Secretary Henry Paulson and Federal Reserve Bank of New York President Timothy Geithner, is responsible for this blunder. He can't blame the law."

"The law in question is section 13 (3) of the Federal Reserve Act, which authorizes a Federal Reserve Bank, with the board of governors' approval, to make loans during a crisis to nonbanks like Lehman if the loan is "secured to the satisfaction of the Federal Reserve bank." It is this vague bit of language that blocked a loan, according to Bernanke. Because, he says, Lehman was insolvent, the Fed couldn't lend to it."

"The problem with this argument is that the Fed rarely allowed legal niceties to stand in its way during the crisis. Back in March 2008, it had arranged for a transaction in which it effectively purchased $30 billion of Bear Stearns' toxic assets. Technically, the Fed (along with JPMorgan) loaned money to a trust called Maiden Lane, but because the Federal Reserve Bank of New York owned the equity in the trust, it received the proceeds from the sales of the assets once the loans to it and JP Morgan were paid off. Section 13(3) authorizes loans only; it does not authorize the Fed to buy assets."

"Subsequently, in the AIG rescue, the Fed demanded that AIG transfer 80 percent of its equity into a trust, which ultimately paid the proceeds to the Treasury — exactly where the Fed's profits go. A federal court recently held that the Fed effectively acquired the equity, which is not authorized by the law, as the Fed's lawyers apparently knew at the time of the transaction. (Disclosure: I worked as a lawyer on this case on behalf of the plaintiffs.) Still later, the Fed bought unsecured short-term debt from corporations — again, in violation of section 13(3), which authorizes only secured loans. The Fed also made billions of dollars of loans against the type of toxic asset that filled Lehman's balance sheet — believing (correctly as it turned out) that those assets were significantly undervalued by the market."

"The Fed pushed against the boundaries of the law in these instances because it believed that strict interpretations of the law would block actions that it needed to take in order to save the financial system. And the phrase, "secured to the satisfaction of the Federal Reserve bank," invites the Fed to exercise discretion by relying on its own judgment when evaluating collateral or a borrower's prospects for repayment. If the Fed was willing to push forward against the law in these other cases, then why not for Lehman?"

"Lehman's major problem was illiquidity. It owned valuable assets but could not sell them off during a panic, except at fire-sale prices that would drive it into insolvency. Officials in the New York Fed believed that Lehman was "narrowly solvent," according to the New York Times. Later, the Lehman bankruptcy examiner Anton Valukas would find that Lehman's own valuation of its assets, on the basis of which it claimed to be solvent, was not unreasonable. This is hardly a ringing endorsement, but surely it was enough to allow a loan "secured to the satisfaction" of the Fed."

"Bernanke's claim that he believed that Lehman was insolvent is also hard to credit in light of his efforts to facilitate a sale of Lehman to Barclays Bank. The Fed was ready to provide a loan to make this happen. But if Lehman were insolvent, then Barclays — one of the largest banks in the world — would have choked on its carcass, possibly imploding itself, with consequences for the financial system even worse than the Lehman collapse. Bernanke would not have helped Barclays acquire Lehman if he had believed that Lehman was insolvent. In fact, Barclays' willingness to buy Lehman was evidence that Lehman was not. Bernanke also has never explained why a "small" loan to facilitate Barclays' acquisition of Lehman would have been lawful if a "large" loan to save Lehman itself was not."

"There are other inconvenient facts. The Fed loaned significant sums — as much as $28 billion in one instance — to Lehman through its Primary Dealer Credit Facility in the months after Bear Stearns' collapse. It must have believed then that Lehman could repay the loans. Even if Lehman were insolvent by September, the Fed could have saved it before its financial position deteriorated. The failure to act earlier was itself a choice, not compelled by the law."

"Why, then, did Bernanke & co. fail to rescue Lehman? The answer that emerges from Bernanke's memoir — largely consistent with the memoirs and testimony of Paulson and Geithner, and reporting by journalists — is that (1) anti-bailout sentiment was loud and intimidating; (2) Lehman's counterparties had had months to prepare for its failure; (3) a Lehman rescue would encourage recklessness among creditors; and (4) Congress would get angry if the Fed lost money on its emergency loans. While many sophisticated investors and officials rejected these worries, they weren't unreasonable. But, in the end, these worries were wrong."

"Milton Friedman and Anna Jacobson Schwartz famously attributed the extraordinary severity of the Great Depression to the Fed's failure to supply emergency loans during a series of liquidity crises, which caused the collapse of the nation's financial system. This was a catastrophic failure by the Fed to exercise authority Congress had given it — as if firefighters decided not to put out a building that was on fire and instead allowed the fire to spread through the rest of the city. In a 2002 speech in celebration of Milton Friedman's birthday, Bernanke, who has written important scholarship on the Great Depression, declared:

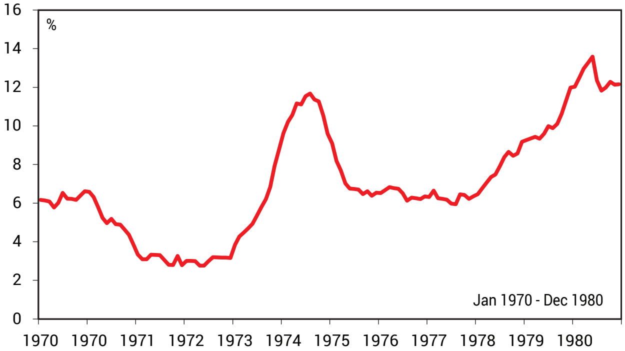
> I would like to say to Milton and Anna: Regarding the Great Depression. You're right, we did it. We're very sorry. But thanks to you, we won't do it again."

"But in failing to rescue Lehman, the Fed "did it again." While Bernanke quickly recognized his error, and deserves credit for the ensuing round of bailouts, which, along with the Troubled Asset Relief Program statute, finally ended the financial crisis, historical accuracy requires us to recognize that Bernanke, not the law, is responsible for the Lehman blunder. For a scholar of the Great Depression, this must be a bitter irony."

Source: http://www.slate.com

Eric Posner is 100% right in saying that it must be a bitter irony for Ben Bernanke, a scholar of the Great Depression to put up lame excuses for not rescuing Lehman Brothers. Capital Dynamics (Australia) Ltd would go further and say that the whole Lehman Brothers fiasco should have been thoroughly and openly investigated. If the Federal Reserve is as omnipotent as investors and the Western financial media have made it out to be, then, we all deserve to know the basis of this omnipotence; we all need to question this perception and treatment. The Federal Reserve often accommodates debt, succumbs to political pressures, and compromises the Fed's operational independence. Examples of these mistakes abound. The most infamous example of a Federal Reserve chair bowing to political pressure was when Federal Reserve chairman Arthur Burns tailored US monetary policy to accommodate President Richard Nixon's demands for low interest rates. Figure 1 shows that this was obviously the wrong monetary policy to be adopting. Arthur Burns was the Fed's chairman from 1970 until 1978 at a time when US inflation rate was getting out of hand.

Figure 1 Consumer Price Index (y-o-y)



Source: Bureau of Labor Statistics

To be sure, Nixon was not the only US president to pressure a Federal Reserve chairman to tailor monetary policy to the president's political needs. President Dwight Eisenhower pressured Fed Chairman William Martin to either resign or increase the money supply, which Martin eventually gave in. During the Nineties, Alan Greenspan was accused by many political and financial experts for tailoring the Federal Reserve's policies to help President Bill Clinton. "An Episodic History of Modern Fed Independence" by economists Daniel J. Smith and Peter J. Boettke is a good article to read on this serious topic.

This brings us to the current situation. Is Janet Yellen bowing to political pressure and about to repeat the blunders of the past Fed chair ? Most people do not know that the Federal Reserve now comprises entirely of president Obama's appointees. Based on all objective considerations, the Federal Reserve is way behind in increasing the federal funds target rate. Value investors look for safety margin. The US Federal Reserve under Janet Yellen is playing with danger. Ron Paul, a 12-term member of the US Congress and a three-time US presidential candidate, has been pushing hard for Audit the Fed legislation. He said: "For over a century, the Federal Reserve has operated in secrecy, to the benefit of the elites and the detriment of the people. It is time to finally bring transparency to monetary policy by auditing the Federal Reserve." Capital Dynamics (Australia) Ltd is convinced that the NEXT bear market will be caused by the US Federal Reserve blundering again.

At the time of writing this commentary, the *i* Capital International Value Fund still has about 83% of its NAV in cash and about 70.2% of this is held in US$ and HK$. The NAV of the *i* Capital International Value Fund can be viewed at either www.capitaldynamics.com.au or www.funds.icapital.biz.

Yours sincerely,

陳鼎武

Tan Teng Boo
Capital Dynamics (Australia) Limited
ABN 53 129 846 260 AFSL 326283
15 November 2015

FUND PERFORMANCE 1

Figure 2 ICIVF Total Return (1 Jul 2009 to 30 Jun 2015)

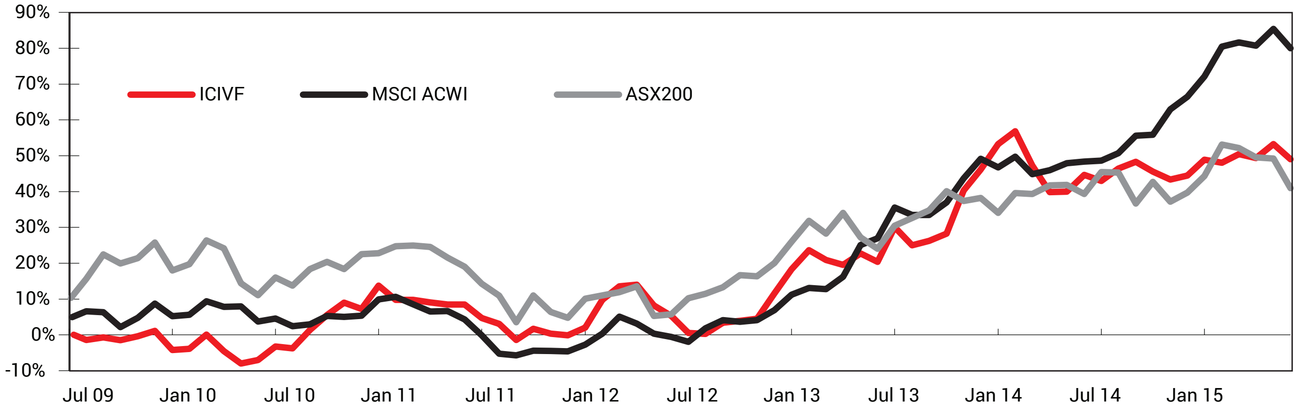


Table 1 Cumulative Total return and Compound return

	Cumulative Total Return (%)			Coumpound Return (%)
	1-Year-Return	2-Year-Return	Since Inception	Since Inception
ICIVF (AUD)	3.02%	23.75%	49.02%	6.88%
MSCI ACWI (AUD)	21.30%	41.75%	79.98%	10.29%
ASX200 (AUD)	1.17%	13.67%	40.98%	5.89%

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 3 performing stocks (in local currency)

	Quarter ending 30 Jun 2015 (% of change)
Concord New Energy	9.26%
Dah Chong Hong	5.50%
QBE Insurance	4.83%

The table above presents the top 3 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 April 2015), and held till the end of the quarter (i.e. 30 June 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 April 2015 and sold on 30 June 2015, its performance is only measured over 21 April 2015 to 30 June 2015 and not over the full quarter. Similarly, if it was bought on 1 April 2015 and sold on 11 June 2015, its performance is measured over the period 1 April 2015 to 11 June 2015.

FUND PERFORMANCE 3

Table 3 shows the percentage gain or loss of each company held by your Fund as at 30 June 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$)	Price Jun 2015 (A$)	% Change
Clover Corporation Limited	0.30	0.16	-46.75%
Concord New Energy	0.05	0.07	48.37%
Dah Chong Hong	1.02	0.50	-50.96%
Mermaid Maritime PCL	0.58	0.17	-70.89%
QBE Insurance	16.19	13.67	-15.58%
Rexlot Holdings Ltd	0.10	0.07	-34.57%

Table 4 shows the percentage gain or loss arising from currency movements as at 30 June 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$)	Price Jun 2015 (A$)	% Change
Clover Corporation Limited	0.30	0.30	0.00%
Concord New Energy	0.05	0.07	39.66%
Dah Chong Hong	1.02	1.38	35.40%
Mermaid Maritime PCL	0.58	0.68	17.29%
QBE Insurance	16.19	16.19	0.00%
Rexlot Holdings Ltd	0.10	0.11	12.74%

PORTFOLIO INFORMATION

Table 5 Percentage of assets held as cash

	Cash (%)	Equities (%)
End of Sep 2014	50.03%	49.97%
End of Dec 2014	77.38%	22.62%
End of Mar 2015	80.90%	19.10%
End of Jun 2015	80.72%	19.28%

Table 6 Top 5 holdings as at end June 2015

	18.0%
Concord New Energy	6.8%
Rexlot Holdings Ltd	4.4%
QBE Insurance	3.7%
Mermaid Maritime PCL	2.2%
Dah Chong Hong	0.9%

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

	100%
Hong Kong	66%
Australia	22%
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.

"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 were 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.

Primary Dealer Credit Facility

An institution created by the Federal Reserve to provide overnight loans to primary dealers through their clearing banks in exchange for eligible collateral. The Primary Dealer Credit Facility (PDCF) provides loans that settle the same business day and mature the following business day.

Great Depression

An economic recession that began on October 29, 1929, following the crash of the U.S. stock market. The Great Depression originated in the United States, but quickly spread to Europe and the rest of the world. Lasting nearly a decade, the Depression caused massive levels of poverty, hunger, unemployment and political unrest.

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 markets 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.

© Capital Dynamics (Australia) Limited 2015. All Rights Reserved.

® "Capital Dynamics" and "*i* Capital" are registered trademarks.

icapital®
BY Capital Dynamics

INDEPENDENCE • INTELLIGENCE • INTEGRITY

Responsible EntityIssuer and Investment Manager

Capital Dynamics (Australia) Limited

ABN 53 129 846 260

AFSL 326283

Level 1, 61 York Street, Sydney, NSW 2000, Australia

(61 2) 92622621

www.capitaldynamics.com.au

info@capitaldynamics.com.au