



# Intercept Capital Fund

## Monthly Letter

### May 2006

Intercept Capital recorded a post-fee return of +2.0% for the month of May 2006 and 9.5% for the calendar year to date. Since inception on 31 March 2004, the Fund has produced an annualised post-fee return of 10.6% compared with an annualised return from the UBS Australian Bank Bill Index of 5.7%.

#### Performance

The Fund returned +1.97% (after fees) during the month of May 2006. This compares with a benchmark rate of return of 0.51% for the month (UBS Australian Bank Bill Index).

#### Portfolio Composition

At the end of May, 92.5% of the Fund was invested in 35 companies the manager identified as being undervalued. The Fund also included short sales, on a beta adjusted basis, in 14 companies that the manager believed were overvalued which along with an index security including to help achieve market neutrality, totalled 83.7% of the Fund.

	Based on Net Asset Value <sup>1</sup>	Based on Gross Asset Value <sup>2</sup>
Long Investments	92.5%	34.6%
Short Sales	(83.7%) <sup>3</sup>	31.3%
Cash	91.2%	34.1%
Total	100.0%	100.0%

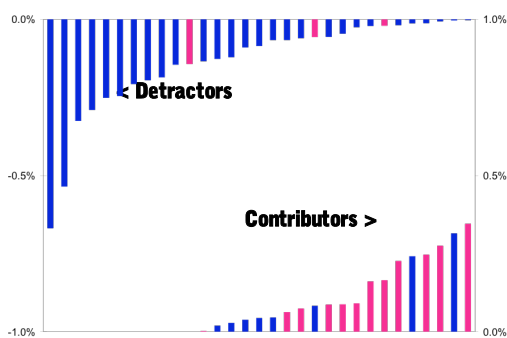
Note:

1. Net Asset Value basis shows long and short positions as being offsetting from a market risk perspective.
2. Gross Asset Value basis shows long and short positions as being additive from a market risk perspective
3. Includes an index short position of 59.6%

#### Security Selection

While the index short was the major individual contributor to return in the month, outperformance was achieved primarily by positive relative returns from both the long and short portfolios. eBay Inc, the on-line auction company, contributed after being added to portfolio in the month, while Electronic Arts Inc (short) declined more than the market. The largest detractor was SFBC International Inc (long), a global drug development services company, and Juniper Networks Inc (long), an internet protocol networking provider, in which we have now increased our weights. The month's contributors to and detractors from performance on a % of NAV basis, excluding the impact of currency, are outlined in the graph below, with the shorts shown in red and the longs in blue.

#### Contribution (% of NAV)



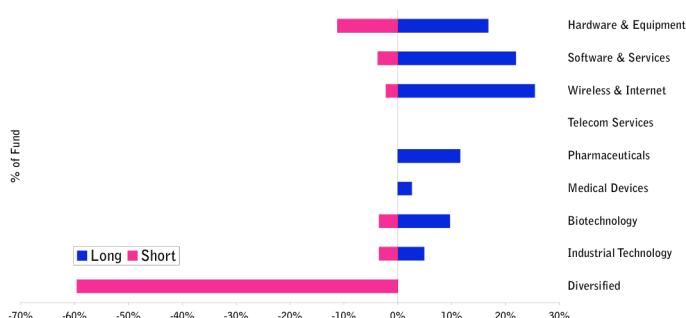
Note:

1. A number of holdings in the above chart were not held for the entire month.
2. Excludes positive contribution from index short

#### Industry Structure

In May, the portfolio favoured Wireless & Internet and Software & Services with smaller net positive positions in Pharmaceuticals, Biotechnology and Hardware & Equipment. A sizable index short position was held during the month. The following table summarises the structure as at 31 May 2006:

#### Knowledge Industry Weights



#### Industry Overview

The Federal Reserve Board in the US appears intent on slowing inflationary pressures with higher interest rates. Against the backdrop of already slowing company earnings (market commentator Briefing.Com are forecasting 7.5% growth in Q2 2006 compared with 14% in Q1), and slowing consumer demand, the prospect of tighter monetary policy has cooled sharemarkets.

During May, the NASDAQ Composite declined sharply by 5.2% in \$A terms, with weakness shown across all technology related industries.

Despite the weakness, there were some positive developments announced during the month, including strong PC demand in China (Finance Asia state 19 million units sold in 2005, a rise of 19% over 2004) and the planned roll-out of the world's largest wireless broadband network in Pakistan.

#### Unit Prices

	Application Price	Net Tangible Assets	Redemption Price
31 May 2006	\$0.9587	\$0.9559	\$0.9530
31 March 2006	\$0.9606	\$0.9577	\$0.9548
30 December 2005	\$0.8758	\$0.8732	\$0.8706
31 March 2005	\$0.9721	\$0.9677	\$0.9633
31 December 2004	\$0.9179	\$0.9138	\$0.9097
31 March 2004	\$0.7706	\$0.7671	\$0.7637

#### Enquiries

A copy of the Fund's Product Disclosure Statement is available at [www.techinvest.com.au](http://www.techinvest.com.au) or by contacting the Fund's Responsible Entity, Equity Trustees Limited, on (03) 8623 5000. Registry enquiries should be made to Computershare on 1300 553 481 or via email to [TechInvest@computershare.com.au](mailto:TechInvest@computershare.com.au)