

Intercept Capital Fund

Monthly Letter

May 2008

Intercept Capital recorded a post-fee return of -2.6% for the month of May 2008, taking the 12 month return to +9.8%. This compares with the 12 month UBS Australia Bank Bill Index return of +7.2%. Since inception on 31 March 2004, the Fund has produced an annualised post-fee return of +8.9% compared with an annualised return from the UBS Australia Bank Bill Index of +6.2%.

Performance

The Fund returned -2.64% (after fees) during the month of May 2008. This compares with a benchmark rate of return of +0.64% for the month (UBS Australia Bank Bill Index).

Portfolio Composition

At month end, 94% of the Fund was invested in 27 companies the manager identified as being undervalued as well as a small index position. The Fund also included short sales in 27 companies that the manager believed were overvalued, totalling 88% of the Fund.

	Based on Net Asset Value ¹	Based on Gross Asset Value ²
Long Investments	94.2%	34.2%
Short Sales	(87.5%) ³	31.8%
Cash	93.3%	33.9%
Total	100.0%	100.0%

Note:

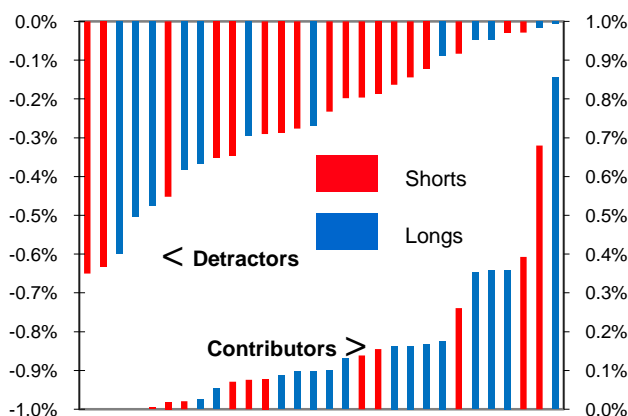
1. Net Asset Value basis shows long and short positions as being offsetting from a market risk perspective.
2. Gross Asset Value basis shows long and short positions as being additive from a market risk perspective.
3. A 1.9% index long position was held at month end.

Security Selection

Detractors outweighed contributors during the month. Contributors for the month included Western Digital Corp (long), the developer of hard drives, Macrovision Corp (short), digital goods distribution solutions provider and Rambus Inc (short), developer of chip interface technologies.

Main detractors for the month were Omnivision Technologies Inc (long), maker of image sensor devices, Netapp Inc (long), provider of enterprise storage and data management solutions, and Bristol Myers Squibb Co (short), which engages in the development and distribution of pharmaceuticals and other health care related products.

The graph below shows performance contributors and detractors on a % of NAV basis, excluding the impact of currency, with shorts shown in red and longs in blue.

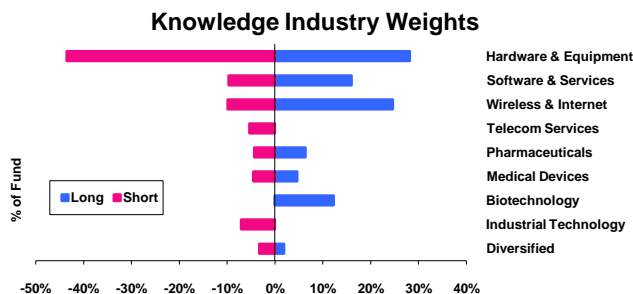


Note:

1. Not all holdings in chart were held for entire month.
2. Excludes contributions from any index positions

Industry Structure

During the month, the portfolio favoured Wireless & Internet, Biotechnology and Software & Services with small net positive weights in Pharmaceuticals and Medical Devices. Net short positions were held in Hardware & Equipment, Industrial Technology, Telecom Services and Diversified Technology. The following chart summarises the structure as at 31 May 2008:



Industry Overview

Global sharemarkets extended their recovery in May, although there continued to be little improvement in the economic backdrop that provided the source of recent sharemarket weakness. Within the knowledge industries, telecom and computing stocks outperformed.

The OECD has reported 235 million broadband subscribers by December 2007, an annual growth rate of 28% and household penetration of 20%.

According to Technology Review, Samsung have developed a display made with blue-phase liquid crystals that produces a wider viewing angle than LCD and rapid image refresh to reduce blur. With fewer processing steps in production, it has the potential to be cheaper to manufacture than LCD's.

The New York Times has written on the emerging dominance of emerging market mobile telecom firms. After China completes a reorganisation of existing telecommunication companies, it will have two of the top seven mobile operators.

The One Laptop per Child project is leading innovation in the sub notebook segment. The next version will be smaller, but with a larger fold-out screen, no keypad and use just one watt of power.

Unit Prices (Inception 31 Mar 2004)

	Application Price	Net Tangible Assets	Redemption Price	Distribution
31 May 2008	\$1.0164	\$1.0133	\$1.0103	
31 Dec 2007	\$1.0158	\$1.0127	\$1.0097	
30 Jun 2007	\$0.9307	\$0.9278	\$0.9250	\$0.0431
31 Dec 2006	\$0.9978	\$0.9948	\$0.9918	
30 Jun 2006	\$0.9161	\$0.9134	\$0.9107	\$0.0185
30 Dec 2005	\$0.8758	\$0.8732	\$0.8706	
30 Jun 2005	\$0.9568	\$0.9525	\$0.9482	\$0.0000
31 Dec 2004	\$0.9180	\$0.9138	\$0.9097	
30 Jun 2004	\$0.8943	\$0.8903	\$0.8863	\$0.0000
31 Mar 2004	\$0.7706	\$0.7671	\$0.7637	

Note: June prices are shown after impact of annual distribution.

Enquiries

A copy of the Fund's Product Disclosure Statement is available at 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.

Important Information. Past performance is not a reliable indicator of future performance. This Monthly Letter does not constitute an offer or solicitation of an offer to purchase units in the TI Intercept Capital Fund.