

Intercept Capital Fund

Monthly Letter

July 2008

Intercept Capital recorded a post-fee return of +2.8% for the month of July 2008, taking the 12 month return to +14.1%. This compares with the 12 month UBS Australia Bank Bill Index return of +7.5%. Since inception on 31 March 2004, the Fund has produced an annualised post-fee return of +9.4% compared with an annualised return from the UBS Australia Bank Bill Index of +6.3%.

Performance

The Fund returned +2.78% (after fees) during the month of July 2008. This compares with a benchmark rate of return of +0.67% for the month (UBS Australia Bank Bill Index).

Portfolio Composition

At month end, 93% of the Fund was invested in 29 companies the manager identified as being undervalued. The Fund also included short sales in 27 companies that the manager believed were overvalued, which together with an index short position, totalled 77% of the Fund.

	Based on Net Asset Value ¹	Based on Gross Asset Value ²
Long Investments	92.7%	34.7%
Short Sales	(83.7%)	31.3%
Cash	91.0%	34.0%
Total	100.0%	100.0%

Note:

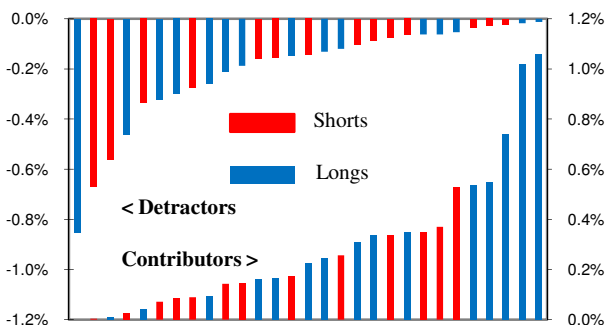
1. Net Asset Value basis shows long and short positions as being offsetting from a market risk perspective.
2. Gross Asset Value basis shows long and short positions as being additive from a market risk perspective.

Security Selection

While the number of longs and shorts that contributed or detracted were evenly numbered in the month, the value of contributors outweighed detractors. Contributors for the month included Amgen Inc (long), a global biotechnology company that provides human therapeutics based on advances in cellular and molecular biology, Genentech Inc (long), a biotechnology company that discovers, develops, manufactures and commercialises pharmaceutical products to treat patients with unmet medical needs and Websense Inc (long), a web security solutions provider.

Main detractors were LSI Corp (short), a designer, developer and marketer of semiconductors and storage systems, Warner Music Group Corp (short), a music content company, and Nvidia Corp (long), a provider of programmable graphics processor technologies.

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.

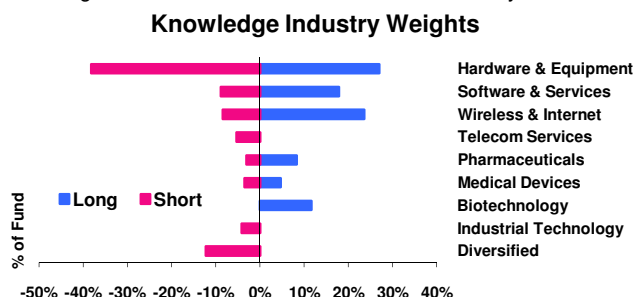


Note:

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 Diversified Technology, Hardware & Equipment, Telecom Services and Industrial Technology. The following chart summarises the structure as at 31 July 2008:



Industry Overview

Global sharemarkets were weak again in July. While oil prices eased, inflation concerns and the impact of the credit contagion on the real economy persisted. According to Zillow.com, US home prices fell 10% in the second quarter, giving 29% of home owners negative equity. While emergency funding has been offered to Fannie Mae and Freddie Mac along with funds to help struggling homeowners, authorities in the US may now be "pushing on a string" to reinvigorate the economy as bank credit dries up.

Biotechnology companies proved to be the exception in July, with bids for a number of companies, such as Roche Holding Ltd's bid for Genentech Inc, driving the index strongly higher. Large pharmaceutical companies are generally struggling to compete with generics that, according to the Economist, now make up nearly two-thirds the US drug market by volume but just 13% by value. As a result they are looking for growth elsewhere.

Barrons reported that the global handset market grew 15% in the second quarter to 297 million units; Nokia has maintained its dominance with 41% share, followed by Samsung with 15%. All eyes are on Apple to see if it can establish a foothold in this market with its 3G iPhone.

Unit Prices (Inception 31 Mar 2004)

	Application Price	Net Tangible Assets	Redemption Price	Distribution
31 Jul 2008	\$1.0334	\$1.0303	\$1.0273	
30 Jun 2008	\$1.0053	\$1.0023	\$0.9993	\$0.0297
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.