

# TI Intercept Capital Fund

## Monthly Letter

### October 2009

TI Intercept Capital recorded a post-fee return of +2.3% for the month of October 2009. Since inception on 31 March 2004, the Fund has produced an annualised post-fee return of +9.1% compared with an annualised return from the UBS Australia Bank Bill Index of +5.9%. At month end, the Fund was 68% invested in selected investments expected to outperform, offset by 74% short sales of companies expected to underperform.

#### Performance

The Fund returned +2.26% (after fees) during the month of October 2009. This compares with a benchmark rate of return of +0.25% for the month (UBS Australia Bank Bill Index).

#### Portfolio Composition

The Fund remains below its typical investment structure of being fully invested, offset by short sales.

At month end, 68% of the Fund was invested in 28 companies the manager identified as likely outperformers. The Fund also included short sales in 31 companies that the manager expected to underperform which, together with an index position, totalled 74% of the Fund. The mix of long and short portfolios was designed to achieve market neutrality.

	Based on Net Asset Value <sup>1</sup>	Based on Gross Asset Value <sup>2</sup>
Long Investments	67.7%	27.2%
Short Sales	(74.3%)	29.9%
Cash	106.6%	42.9%
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 shows long and short positions as being additive from a market risk perspective.

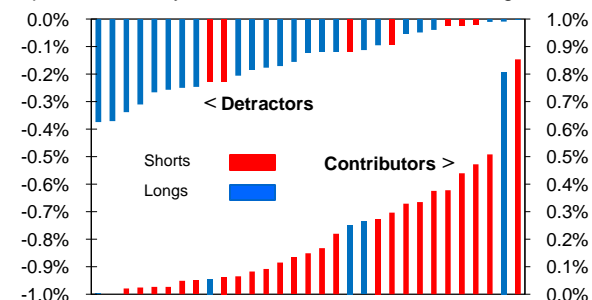
#### Security Selection

Reflecting the overall weakness of sharemarkets in October, contributors were dominated by shorts and detractors mainly by longs; the better returns from contributors over detractors ensured a positive month's return.

Main contributors for the month were **Palm Inc** (short), a global provider of mobile products for individual users and business customers, **Amazon.com Inc** (long) which provides a service to sellers of products and services online and **Boston Scientific Corp** (short), a provider of medical devices for interventional medical specialties.

Main detractors were **Gilead Sciences Inc** (long), a biopharmaceutical company whose primary areas of focus include HIV/AIDS, liver disease and serious cardiovascular and respiratory conditions, **Nvidia Corp** (long), a provider of programmable graphics processor technologies and **Nuance Communications Inc** (long), a provider of speech-based solutions for businesses and consumers worldwide.

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



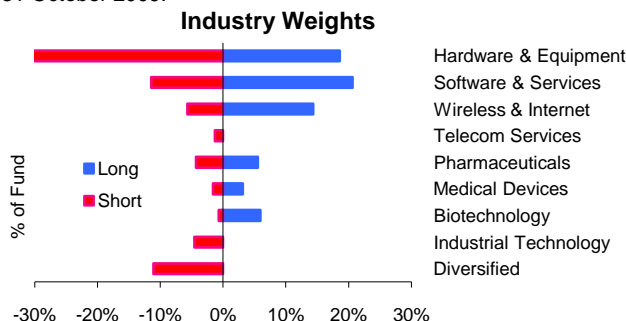
Note:

1. Not all holdings in chart were held for entire month.

2. Excludes contributions from any index positions

#### Industry Structure

By month end, the portfolio favoured Software & Services, Wireless & Internet and Biotechnology, with small net positive positions in Medical Devices and Pharmaceuticals. Net short positions were held in Hardware & Equipment, Diversified and Industrial Technology, together with a small net short position in Telecom Services. The following chart summarises the structure at 31 October 2009:



#### Industry Overview

October 2009 saw the first monthly decline in global sharemarkets since June 2009 and the biggest fall since February 2009. China bucked the trend; Shanghai and Hong Kong both rose +8%.

With the majority of S&P500 companies having reported, September quarter 2009 earnings from these US listed companies are down 23% from a year earlier.

Competition in the smartphone market is heating up; Motorola has launched the DROID and CLIQ phones (using Google's Android operating system). They include free navigation that offers turn by turn directions, live traffic updates and voice command recognition.

Microsoft launched the Windows 7 operating system. Upgrading from Windows XP (which most users still run) is difficult and some features require separate installation. At the same time, Gartner reports that the use of virtual servers ("cloud computing") have increased their share of server workload from 18% to 28%.

In Australia, a battery powered Tesla Roadster participating in an alternative-fuel rally called the Global Green Challenge, was driven 500km on a single charge.

Asia Times reports that China is the world's largest manufacturer of solar heating systems; each year it produces 114 million metres of concentrated heat vacuum tubes, two thirds of world output.

New voting technology from Scantegrity used in the US allows voters and auditors to check whether votes were counted correctly, without seeing how any individual voted. It will help avoid situations like in Florida during the 2000 Presidential election.

#### Performance:

	1 Month	1 Year	3 Years	Inception 31/3/2004
TI Intercept Capital Fund	+2.26%	+3.65%	+8.33% p.a.	+9.06% p.a.
UBS Australia Bank Bill Index	+0.25%	+3.82%	+6.07% p.a.	+5.93% p.a.

#### 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 Mackenzie Coultas Funds Administration Pty Limited via email to [Registry@maccul.com.au](mailto:Registry@maccul.com.au) or phone 1300 553 481.

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\* The Morningstar Rating is an assessment of a fund's past performance – based on both risk and return – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. Please refer to Morningstar's Financial Services Guide for more information at [www.morningstar.com.au/afsg.pdf](http://www.morningstar.com.au/afsg.pdf).