

# Intercept Capital Fund

## Monthly Letter

### May 2007

Intercept Capital recorded a post-fee return of -0.1% for the month of May 2007. Since inception on 31 March 2004, the Fund has produced an annualised post-fee return of +8.2% compared with an annualised return from the UBS Australia Bank Bill Index of +5.9%.

#### Performance

The Fund returned -0.05% (after fees) during the month of May 2007. This compares with a benchmark rate of return of +0.54% for the month (UBS Australia Bank Bill Index).

#### Portfolio Composition

At end May, 76% of the Fund was invested in 27 companies the manager identified as being undervalued. The Fund also included short sales, on a beta adjusted basis, in 21 companies that the manager believed were overvalued which along with index securities, totalled 76% of the Fund.

	Based on Net Asset Value <sup>1</sup>	Based on Gross Asset Value <sup>2</sup>
Long Investments	76.2%	30.3%
Short Sales	(75.8%) <sup>3</sup>	30.1%
Cash	99.6%	39.6%
Total	100.0%	100.0%

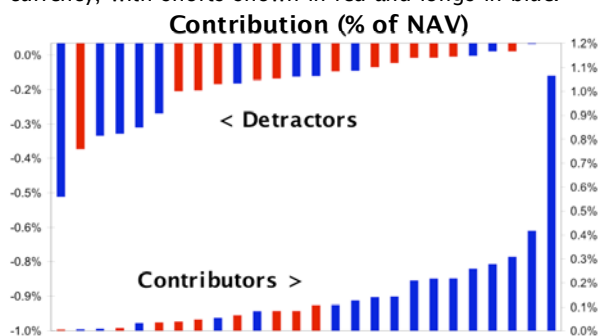
Note:

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 31.0%.

#### Security Selection

Long investments were the major contributor to returns in the month; Omnivision Technologies Inc (long) a maker of semiconductor image sensor devices, America Movil S.A.B de C.V. (long), a provider of wireless communications services in Latin America and Salesforce.com Inc (long), a provider of on-line customer relationship management tools. The main detractors for the month were CryptoLogic Inc (long), a strong performer in the previous month that provides software and services to the Internet, Qwest Communications International Inc (short), a provider of voice, data and video services and Komag Inc (long), that designs, manufactures and markets thin-film media (disks) for disk drives.

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.

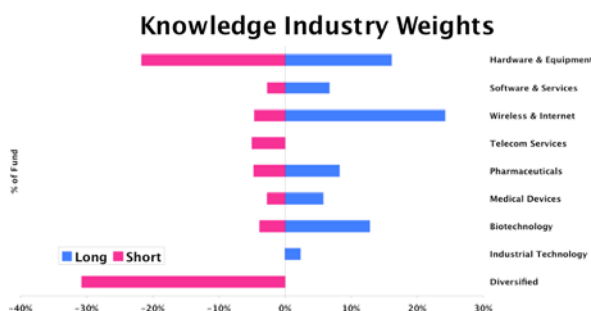


Note:

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

#### Industry Structure

In May, the portfolio favoured Wireless & Internet, with lesser exposure to Biotechnology, Software & Services, Pharmaceuticals, Medical Devices and Industrial Technology. A sizable index short position was held in May, as well as net short positions in Hardware & Equipment and Telecom Services. The following table summarises the structure as at 31 May 2007:



#### Industry Overview

Stockmarkets rallied in May against a backdrop of positive economic and earnings growth and subdued inflation; the IT and telecommunications sectors rose, while biotechnology declined. Authorities in China acted to take some heat out of local sharemarkets by raising stamp duty, but with limited effect.

According to Forrester Research, on-line sales rose 25% to \$US220 billion last year led by travel with sales of \$US73 billion.

Second Life, the popular "virtual world" attracted 1.3 million users in March 2007, a 46% increase over January of this year. According to Clickz, Second Life has over 6 million "residents".

On technology developments, Sony has developed a razor thin display that bends like paper, although they have no commercial applications for the product at this stage.

#### Unit Prices (Inception 31 Mar 2004)

	Application Price	Net Tangible Assets	Redemption Price
31 May 2007*	\$0.9689	\$0.9660	\$0.9631
31 Dec 2006*	\$0.9978	\$0.9948	\$0.9918
30 Jun 2006 #	\$0.9347	\$0.9319	\$0.9291
30 Dec 2005	\$0.8758	\$0.8732	\$0.8706
30 Jun 2005	\$0.9568	\$0.9525	\$0.9482
31 Dec 2004	\$0.9180	\$0.9138	\$0.9097
30 Jun 2004	\$0.8943	\$0.8903	\$0.8863
31 Mar 2004	\$0.7706	\$0.7671	\$0.7637

# Prices shown are pre distribution of \$0.018491

\* Prices after 30 June 2006 are post-distribution

#### 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.

**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 Intercept Capital Fund.