



# ORB quarterly review

September 2006 | Issue No 12

## ORB TECHNOLOGY LIMITED

### Performance



The Net Asset Value (NAV) per share rose from \$0.919 to \$0.932 over the quarter to 30 September 2006, a rise of 1.4%. The fund was positively impacted by a rise in global sharemarkets

and a decline in fixed interest rates. Over the period since inception in October 2003, the fund has produced an investment return of -0.6% p.a compared with the NASDAQ Composite (in Australian dollar terms) that has risen 2.9% p.a. over the same period.

The Investment Manager has generally adopted a cautious approach, since the Fund's launch in October 2003, limiting the net sharemarket exposure of the Fund to the overall rise and fall of sharemarkets. After briefly raising net sharemarket exposure early in the year, a lower exposure was adopted in the June and September quarters. The Investment Manager will monitor this position carefully in the coming months with a view to reinstating a higher net sharemarket exposure as conditions warrant.

The guarantee for investors on maturity on 26 September 2011 is presently \$1.00, this guaranteed amount may rise in the future, but will not fall. The final future value of the Fund will be the total of the guaranteed amount of at least \$1.00, and the Margin Account at maturity, which at 30 September 2006 was valued at \$0.21 per share. The value of the Margin Account will vary over time depending on investment performance and expenses.

### TechInvest Outlook

Despite a lacklustre market backdrop over the first three years of the Fund's life, the Investment Manager continues to believe that the knowledge industries of health care, information technology

and telecommunications provide an outstanding source of investment opportunity over the life of Orb Technology. As foreshadowed in last quarter's report, these industries typically enjoy more favourable conditions after the Northern Hemisphere summer. In view of this, the Investment Manager expects to adopt a higher net exposure to sharemarkets.

The Investment Manager is holding a diversified portfolio of target companies that it expects to outperform market expectations. They are relying on a smaller diversified portfolio of short sales to protect the NAV from possible adverse market movements as well as to seek additional returns from companies that the manager believes have poor prospects compared with market expectations.

### NAV history

Date	NAV/Share (A\$)
30 September	0.932
30 June 2006	0.919
31 March 2006	0.988
31 December 2005	0.949
30 September 2005	0.976
30 June 2005	0.992
31 March 2005	0.969
31 December 2004	0.967
30 September 2004	0.953

The key factors impacting the NAV of Orb Technology during the quarter are summarised in the following table and paragraphs :

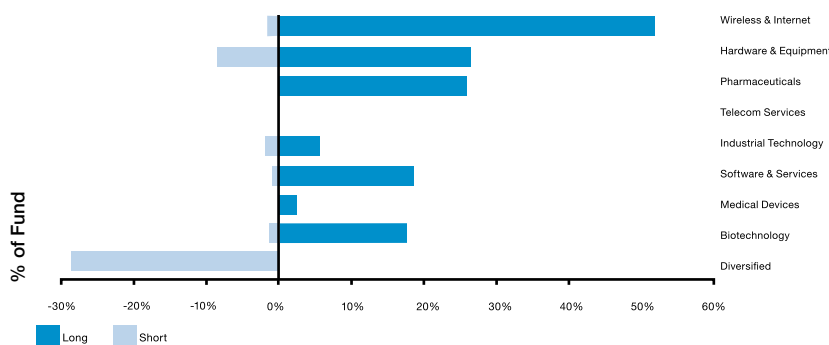
	Movement	Impact on NAV
Sharemarket	↑	+
Australian dollar/ US dollar	↑	-
Active management of shares, currency and interest rates	N/A	+
Long Term Interest Rates	↓	+

The Share price of Orb Technology Limited is published at the end of every month on our website, [www.cgil.com.au](http://www.cgil.com.au).

### Equity investment

The Investment Manager of Orb Technology, TechInvest, commenced the investment strategy in sharemarkets on 20 October 2003. Since that time the technology-oriented NASDAQ Composite (in Australian dollar terms) has gained just 2.9% p.a. The market risk of the portfolio has been managed by establishing market exposure towards the maximum equity portfolio with investments, partially offset by a diversified portfolio of short sales. As at 30 September 2006, the portfolio was tilted towards Wireless & Internet, with moderate weightings to Pharmaceuticals, Software and Services, Hardware & Equipment, Biotechnology and lower weightings in Medical Devices and Industrial Technology. Short positions were used to reduce exposure in most industry groups.

**Orb Technology**  
Sector exposure as at 30 September 2006



## Currency management

The Australian dollar rose by more than 3% in the first half of the quarter, but settled at quarter-end just 0.5% higher than at 30 June 2006. This currency movement caused a modest decline in the value of offshore investments in the Margin Account. There was no currency in place to protect the fund against increases in the Australian dollar. While this is the case the Margin Account will benefit from any future decline in the Australia dollar. The balance of Orb Technology is held in an Australian dollar denominated Fixed Deposit Account which is unaffected by currency movements. In aggregate, Orb Technology is exposed to movements in the US dollar to the extent of the size of the US dollar Margin Account, which at 30 September 2006 was 22% of Orb Technology.

## Fixed deposit investment

Long-term interest rates declined over the September quarter. As a result, the present value of the Fixed Deposit Account rose in value, contributing to the rise in Orb Technology's NAV. While changes in market interest rates will impact the current value of the Fixed Deposit Account both positively and negatively over the eight-year life of Orb Technology, the Fixed Deposit Account will accrue to a future value that supports the guarantee and rising guarantee. No interest rate hedge was in place during the September quarter.

## Technology highlights

There continues to be exciting changes in the health care, computing and telecommunications industries covered by the Fund. TechInvest provides a summary of these highlights in a monthly digest that is available on our website at [www.cgil.com.au](http://www.cgil.com.au).

## ORB INTERNATIONAL ENHANCED INCOME (YIELDS) and (YIELDS2)

### Income Plus Trading Strategy



International Enhanced Income

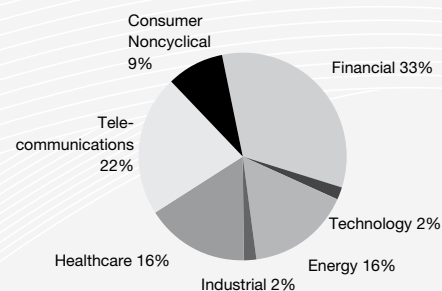
The Income Plus Strategy is based on Citigroup's proprietary trading model that seeks to offer a high level of income and potential for capital appreciation through exposure to global equity markets. Each year, the Strategy selects a portfolio of 30 high yielding stocks from the Dow Jones Global Titans 50 SM (DJGT) index. Further yield enhancement is achieved by writing quarterly covered call options on each of the stocks within the Strategy. The call option overwriting is intended to help the Strategy outperform a direct investment in the underlying portfolio of stocks in all but strong bull market scenarios.

Both the YIELDS and YIELDS2 Investments have exposure to the Income Plus Trading Strategy whilst at the same time guaranteeing the capital value of \$10 if held to their respective maturities.

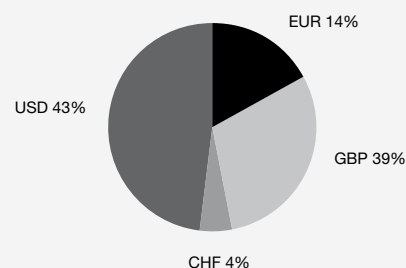
For the quarter ending 30 September 2006, the Strategy Total Return in Australian Dollars was 4.79%. This compares with 6.24% for the AUD Price return of the Dow Jones Global Titans Index. During July the Income Plus Trading Strategy (IPTS) distributed income of 1.41%.

Over the quarter, the month of July had an overall negative impact as the Strategy suffered from a weakening USD, EUR, GBP and CHF against the AUD. In August all the sectors traded up, whilst Energy traded down. The overall effect (excluding FX) of the sectors performances on the Strategy were positive.

### Sector Distribution



### Currency Distribution



### Top Ten Holdings

Company	Sector	Currency	Country
AT&T	Telecommunications	USD	US
Barclays	Financial	GBP	UK
ENI	Energy	EUR	IT
HBOS	Financial	GBP	UK
HSBC Holdings	Financial	GBP	UK
Merck & Co.	Healthcare	USD	US
Pfizer	Healthcare	USD	US
Royal Bank of Scotland	Financial	GBP	UK
Verizon Communications	Telecommunications	USD	US
Vodafone	Telecommunications	GBP	UK

## YIELDS

As at 30 September 2006, the value of YIELDS as traded on the Australian Stock Exchange was up over the quarter by 2.423%. The Fair Market Value was also up 2.423% over the quarter. This is largely attributable to the strengthening portfolio value in AUD over the quarter. The allocation to the IPTS remained steady over the quarter at 59%. The Gap Measure stood at 21% as at 29 September 2006.

A distribution of 10.65 cents per YIELDS occurred over the quarter. This payment saw YIELDS trade on an ex-distribution basis on 14 July 2006 and a distribution was paid to holders on 16 August 2006.

## Factors impacting the performance of YIELDS:

**Appreciation of the AUD v USD since commencement.** This has impacted both the value of the dynamic portfolio and the recent distribution. The AUD/USD rate has risen from 0.7013 cents on 30 July 2004 (Issue date) to 0.7463 cents as at 29 September 2006.

**Allocation to the Income Plus Trading Strategy.** YIELDS has a current allocation of 59% to the IPTS. Two de-leverage events have occurred since issue.

**Historically Low Option Volatilities.** With global option volatilities currently at low levels, the ability for the IPTS to generate 12% has been adversely impacted.

## YIELDS2

YIELDS2 was issued on 6 December 2004 and also invests in the IPTS.

During the 3 months ending 30 September 2006, the value of YIELDS2 as traded on the Australian Stock Exchange was up 3.969%. The Fair Market Value was up 2.581% over the quarter. The allocation to the IPTS remained steady at 69% and the Gap Measure as at 29 September 2006 was 24%.

A distribution of 12.99 cents per YIELDS2 occurred over the quarter. This payment saw YIELDS2 trade on an ex-distribution basis on 14 July 2006 and a distribution was paid to holders on 16 August 2006.

## Factors impacting the performance of YIELDS2:

**Historically Low Option Volatilities.** With global option volatilities currently at low levels, the ability for the IPTS to generate 12% has been impacted.

**Depreciation of the AUD v USD since commencement and over the quarter.** This has impacted both the value of the dynamic portfolio and the recent distribution. The AUD/USD rate has fallen from 0.7729 cents on 6 December 2004 (Issue date) to 0.7463 cents as at 29 September 2006.

**Allocation to the Income Plus Trading Strategy.** YIELDS2 has a current allocation of 69% to the IPTS. A de-leverage event occurred 22 May 2006 where it fell from 97.5%.

## CREDIT SUISSE ORB INVESTMENT TRADED SECURITIES ["ORBITS"]

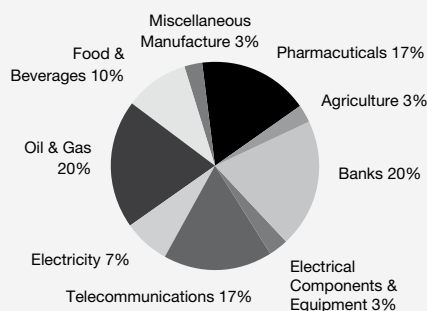


ORBITS have been designed to give a return modelled on a buy-write strategy. The structure provides capped returns (similar to purchasing shares and then selling call options in a buy-write strategy) and minimum coupons (similar to the premium received from selling call options, plus dividends received in a buy-write strategy). The overall strategy provides a capital guaranteed structure with 100% participation in each underlying security in the relevant Reference Portfolio up to the relevant cap level each quarter.

### Reference Portfolio

The Reference Portfolio for International Income ORBITS and International Growth ORBITS contains 30 Reference Securities selected from the 100 largest entities globally by market capitalisation.

### Reference Portfolio by Industry Sector



For the quarter ending September 2006, the performances of both International Income ORBITS and International Growth ORBITS in terms of the coupon accrual were both positive.

### International Income ORBITS

The quarterly accrued Coupon in relation to International Income ORBITS (ORBSC1) for the quarter ending September is 3.63%. The total accrued Coupon for the first year is 1.39%.

In accordance with the terms set out in the Combined Product Disclosure Statement, the guaranteed Annual Coupon of 3.75% was paid on or about 10 October 2006.

The last transaction price for the quarter ending September 2006 was AUD 0.9064

### International Growth ORBITS

The accrued Bonus Coupon in relation to International Growth ORBITS (ORBSC3) for the quarter ending September is 5.26%. The total accrued Coupon for the first year is 4.76%. This is an accrued coupon and is not payable to investors – the Bonus Coupon is paid on expiry.

In accordance with the terms set out in the Combined Product Disclosure Statement, the Fixed Annual Coupon of 3.25% was paid on or about 10 October 2006.

The last transaction price for the quarter ending September 2006 was AUD 0.9091.

(1) Return figures are calculated as a % change over the period, include income distributed by the Strategy and assume no reinvestment over life. (N.B. The % coupon paid on the Note is not the same as the % income distributed by the Strategy as the coupon is among other things a function of the allocation to the Strategy). Yield is based on value of Strategy as of beginning of period. (2) Percentage change of each currency holdings within Strategy versus AUD over the past month, using currency weightings as of end of month. (3) Breakdown as of beginning of month using live weights and prevailing exchange rates and showing the exposure of the Strategy holding to the currencies listed. (4) Top ten holdings shown alphabetically as of last rebalancing (5) Price performance showing sector returns as measured in the stocks' respective local currencies over the past month, using live weights as of beginning of month. (6) Breakdown as of beginning of month using live weights reflecting the relative value of each stock/sector as of that time in percentage of the value of the total Strategy holding.

(i) Bid Price is the ASX market bid price of YIELDS (ASX code: YLDSO1) as at the respective month end. This price reflects the highest market bid in the security as at the close of trading. In the event of no higher bids this price may represent Citigroup's market bid price for YIELDS. On the Issue Date the initial value of YIELDS was AUD 9.64 per unit. (ii) Price return and total return since Issue Date are calculated as a % change in price versus the YIELDS Value at the beginning of the reference period net of any upfront fee and other ongoing fees. Total return figures include distribution paid and assume no reinvestment over life. (iii) YIELDS Distribution % is calculated as the total distribution declared per unit during the period as a % of the value of YIELDS at the beginning of the period. % figures are not annualised. (iv) This is the AUD amount collected to date per YIELDS unit for the next quarterly distribution. This amount is an estimate as of month end, based on available information at the time and assumes the current allocation remaining constant. It is for indication only and may be subject to change. (v) Strategy and BP monthly change are estimates and are calculated using beginning and end of month Citigroup bid prices and allocations to the Strategy. (vi) The Dynamic Portfolio Reference level is the indicative value of the Net Portfolio Unit NAV as at the respective month end and has been derived from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. It is for indicative purposes only and subject to change. (vii) If the Gap measure rises above 25%, an "up-leverage" event will occur; a fall of the Gap measure below 15% would lead to a "de-leverage" event. MoM means month on month change. Figures are calculated using month end data. Charts are based on month end data. Source: Bloomberg (DJGT Index and exchange rates) and Citigroup Global Markets Limited.

#### Disclaimers



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## Orb summary as at 30 September 2006

#### ORB Technology Limited

Net Asset Value	A\$0.9324	Investment Manager	Guarantor
Capital Guarantee	A\$1.00		
Issue Date	October 2003		
Maturity Date	September 2011		

#### ORB International Enhanced Income (YIELDS)

Closing price (ASX)	A\$9.3	Issuer	Guarantor
Capital Guarantee	A\$10.00	 Citigroup Global Markets Australia Pty Ltd.	 Citigroup Global Markets Holdings Inc.
Issue Date	30 July 2004		
Maturity Date	22 July 2010		

#### ORB International Enhanced Income (YIELDS2)

Closing price (ASX)	A\$9.54	Issuer	Guarantor
Capital Guarantee	A\$10.00	 Citigroup Global Markets Australia Pty Ltd.	 Citigroup Global Markets Holdings Inc.
Issue Date	6 December 2004		
Maturity Date	6 December 2010		

#### International Income ORBITS

Closing price (ASX)	A\$1.00	Issuer	Guarantor
Capital Guarantee	A\$1.00	 Credit Suisse, Sydney Branch	 Credit Suisse
Issue Date	21 September 2005		
Expire Date	21 September 2011		

#### International Growth ORBITS

Closing price (ASX)	A\$0.96	Issuer	Guarantor
Capital Guarantee	A\$1.00	 Credit Suisse, Sydney Branch	 Credit Suisse
Issue Date	21 September 2005		
Maturity Date	21 September 2011		

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