



ORB quarterly review

ORB

March 2005 | Issue No 6

ORB Technology Limited Performance



The Net Asset Value (NAV) per share rose slightly from \$0.967 to \$0.969 over the quarter to March 2005, an increase of 0.2%. This was achieved against the backdrop of a fall in the NASDAQ Composite (in Australian dollar terms) of 6.9%, and a rise in Australian long-term interest rates, both detracting from the NAV over the quarter. The NASDAQ Composite (in Australian dollar terms) has lost 5.0% p.a. from its level when the fund was launched in October 2003 to March 2005, compared with a rise of 1.4% p.a. by the Fund. The Investment Manager, TechInvest, has thus been successful in protecting the value of the Fund, through a difficult investment environment.

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 is presently valued at \$0.284 per share. The value of the Margin Account will vary over time depending on investment performance and expenses.

TechInvest Outlook

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. Preserving the value of the Fund over the recent difficult investment environment improves the capacity of the Fund to participate in the returns available when investment markets are strong.

In the meantime, the Investment Manager

is holding a diversified portfolio of target companies and is relying on a diversified portfolio of short sales to protect the NAV from possible adverse market movements, and to seek additional returns from companies that the manager believes have poor prospects compared with market expectations. A higher exposure to the sharemarket market will be adopted when the Investment Manager believes the outlook is clearer.

NAV history

Date	NAV/Share (A\$)
31 March 2005	0.969
31 December 2004	0.967
30 September 2004	0.953
30 June 2004	1.002
31 March 2004	0.970
31 December 2003	0.925
15 October 2003	0.950

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

	Movement	Impact in Quarter on NAV
Sharemarket	↓	—
Australian dollar/ US dollar	↓	+
Active management of shares & currency	N/A	+
Long Term Interest Rates	↑	—

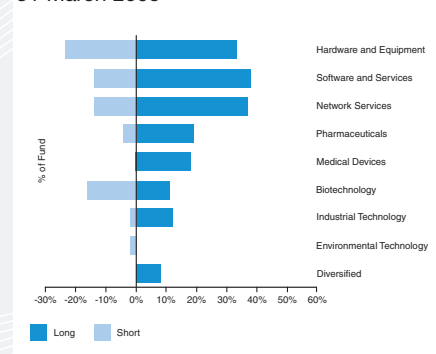
The Share price of Orb Technology Limited is published at the end of every month on our website, www.cgil.com.au.

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 fallen 5.0% p.a. and the portfolio has been set to minimise market exposure, with investments partially offset by a diversified portfolio of short sales. Share exposure for the fund has been selected from the following sectors: Hardware & Equipment, Software & Services, Network Services, Pharmaceuticals, Medical Devices, Biotechnology, Industrial Technology, Environmental Technology and Diversified. As at 31 March 2005, the portfolio was tilted towards Software & Services and Network Services, with lower weightings in Medical Devices, Pharmaceuticals, Industrial Technology and Hardware & Equipment. Short positions were used to reduce exposure in most industry groups and in the case of Biotechnology and Environmental Technology a net short position was held. Market exposure was further increased by holding index securities (see table below). The maximum equity portfolio available to the Investment Manager has been in the range of 74.4% to 81.3% of NAV during the quarter. During the quarter, the weights to Software & Services, Biotechnology, Medical Devices and Environmental Technology were increased at the expense of Pharmaceuticals, Network Services, Hardware & Equipment and Industrial Technology. Market risk was managed by including a number of offsetting short equity positions, while retaining a net long exposure.

ORB Technology Sector exposure as at 31 March 2005



Currency management

The Australian dollar fell by 1.3% over the March Quarter. This currency movement provided a positive contribution to the value of offshore investments. There was no currency hedge in place during the quarter. Orb Technology was thus exposed to movements in the US dollar to the extent of the size of the US dollar Margin Account, which at 31 March 2005 was 29.0% of Orb Technology. The balance of Orb Technology is held in an Australian dollar denominated Fixed Deposit Account.

Fixed deposit investment

Long-term interest rates rose over the March quarter to end the quarter higher than at 31 December 2004, decreasing the present value of the Fixed Deposit Account. While changes in market interest rates will impact the current value of the deposit 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. Orb Technology introduced an interest rate swap in early February that was successful in helping to partially protect the Fund from rising interest rates.

Technology Trends

Paul Davis, Chief Investment Officer of TechInvest, the Fund Manager of Orb Technology Limited, recently returned from CeBIT, the world's largest technology industry exhibition. This was Paul's tenth visit to this show. Over 6,000 companies displayed current and future technology developments to around 500,000 attendees with participants from the US, China, Taiwan and South Korea as well as all the major European Union players. Capital Guaranteed Investment's Ross Benson spoke with Paul on his return:

Ross: What were the things that you saw at CeBIT that particularly grabbed you?

Paul: On the telecommunication side, voice over IP (Internet Protocol) is propagating very rapidly down into devices. Most businesses have recognised that there is an opportunity to switch to voice over IP with services like "Skype". However, the bulk of

consumers aren't going to do it until it's embedded in a device, and into their handset. That is what I noticed at CeBIT. Every telecommunication device - conventional handsets, wireless sets, mobile phones, USB drives, speaker phones - had voice over IP options. So almost without the consumer having to make a "technology" decision, they are going to be migrated to voice over IP simply because the package of free long distance will be so attractive.

Ross: Many of our investors in Orb are also avid users of technology. What did you see on the consumer side that attracted you?

Paul: Well, the 3D screens are still around, and more and more of them. So most of the flat screen people producing LCD displays are also producing a 3D LCD display. You can stand in front of it and see 3D objects without glasses. That seems to me to be too early to be a consumer item. It is something that doctors, scientists, physicists or engineers might use, in order to visualise very accurately models of molecules and proteins, oil refineries, car designs or other things with 3D.

I was very impressed by the big LCD screens. I don't know if you've ever seen one of them, but there are LCD screens now that are 80 inches across, with the pixels so small that you can't even see them when you are up against the screen. The images projected are absolutely indistinguishable from the real object. If you were showing a high-definition landscape within a window frame I would defy somebody to be able to say whether or not that was a real window or an LCD display. They are amazing. They are very expensive now, but the prices are dropping about 50% per year because production is ramping up and the size of the dies is increasing. All of the same mechanisms that create Moore's law at the microprocessor level drive silicon manufacturing at the huge crystal LCD level. So it's only a matter of time.

Ross: What about storing data, voice and video? What's happening there?

Paul: One of the things that's happening and I believe will not stop happening is that all storage is converting to hard disk. My view is that you've got the

chips - you've got the SD (Secure Digital) chips - which now go up to 1 or 2 gigabytes. Then you've got small hard drives. I saw a hard drive the size of a postage stamp that was 10 gigabytes - so that could be in your phone to store photos, video and music. It's smaller than the "iPod" drive, so it could be in a matchbox size "iPod" or inside a video camera. Then you have the terabyte desktop drives. I think all the other media, CD's, DVD's and so on will go the way of 8-track tape. They're all now at their peak, and the window for their use will start narrowing.

Ross: Is there anything new happening with camera-phones?

Paul: I think all camera-phones will go to 8 mega-pixel. Samsung showed a 7 mega-pixel camera in a mobile phone this year. I saw a proto-type liquid lens - that's actually a lens with no moving parts that focuses using electric charge. It works like the lens in your eye; the lens itself distorts, in this case based on the electric charge you put across it. They expect to have that in production for auto-focus in another year. That will enable much higher resolution in phones without the huge lens you need today. What's been holding back higher mega-pixel cameras is the space you need and the energy you need to move a physical lens around. With the liquid lens they can provide zoom with auto focus in 6mm depth.

Ross: Will you change the portfolio as a result of attending the show?

Paul: Activities such as these are crucial to developing our understanding of these industries. However, ideas generally don't come like a bolt of lightning, rather the knowledge we acquire builds over time, giving us confidence in trends, in determining what might be successful and what might not. However, we did learn some new things as a result of the visit and will make a small number of portfolio shifts as a result. More importantly our thinking has been confirmed on many of the positions currently in portfolio and we are pleased with the diversified mix of investments we have.

You can view a short video of CeBIT prepared by TechInvest at www.cgil.com.au

ORB INTERNATIONAL ENHANCED INCOME (YIELDS) and (YIELDS2)

The Income Plus Strategy AUD Performance



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.

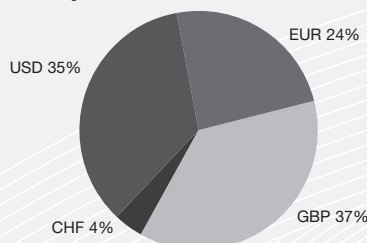
Both the YIELDS and YIELDS2 Investments have exposure to the Income Plus Trading Strategy whilst at the same time guaranteeing the capital value of \$10 if held to their respective maturities.

For the quarter ending 28 February 2005, the Strategy Price Return in Australian dollars was -0.50%. This compares with +1.46% for the AUD Price return of the Dow Jones Global Titans Index. During January the Income Plus Trading Strategy (IPTS) distributed income of 1.71%.

The Financial Sector (38% of assets invested) positively impacted performance over the quarter as did Healthcare (14% of assets invested). The Telecommunications sector (11% invested) negatively affected performance.

The Australian dollar strengthened over the period. Against the USD it was 1.9% higher over the quarter, 2.9% higher against EUR and 2.7% higher against GBP.

Currency Distribution³



Top Ten Holdings⁽⁴⁾

Company	Sector	Currency	Country
Altria Group Inc.	Consumer Noncyclical	USD	US
Barclays	Financial	GBP	UK
DaimlerChrysler AG	Consumer Cyclical	EUR	Germany
ENI SpA	Energy	EUR	Italy
GlaxoSmithKline	Healthcare	GBP	UK
HBOS	Financial	GBP	UK
HSBC Holdings Plc	Financial	GBP	UK
ING Groep NV	Financial	EUR	NL
JP Morgan	Financial	USD	US
SBC Communications Inc.	Telecommunications	USD	US

YIELDS

As at 28 February 2005, the value of YIELDS as traded on the Australian Stock Exchange was down 0.6% for the quarter. The Fair Market Value was down 1.2%. This is largely attributable to the weakening portfolio value in AUD over the quarter (refer to the factors below). The allocation to the IPTS remained unchanged over the quarter at 82% and the Gap Measure stood at 17% as at 28 February 2005.

A distribution of 12.96 cents per YIELDS occurred over the quarter. This payment saw YIELDS trade on an ex-distribution basis on 17 January 2005 and a distribution was paid to holders on 17 February 2005.

Factors impacting the performance of YIELDS:

Appreciation of the AUD v USD.

This has impacted both the value of the dynamic portfolio and the recent distribution. The AUD/USD rate has risen sharply from 0.7025 cents on 30 July 2004 (Issue date) to 0.7919 cents as at 28 February 2005.

Allocation to the Income Plus Trading Strategy. YIELDS has a current allocation of 82% to the IPTS. The only de-leverage event occurred during October 2004.

Historically Low Option Volatilities.

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

Seasonality of Underlying Stock Dividends.

In the quarter ending 28 February 2005 the dividends received from the underlying shares were lower than expected due to the lower propensity for companies to pay dividends around the Christmas/New Year period.

YIELDS2

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

During the 2 months ending 28 February 2005, the value of YIELDS2 as traded on the Australian Stock Exchange was down 2.39%. The Fair Market Value was down 3.6%. The allocation to the IPTS remained unchanged since the issue date at 100% and the Gap Measure stood at 20% as at 28 February 2005.

A distribution of 16.69 cents per YIELDS2 occurred over the quarter. This payment saw YIELDS trade on an ex-distribution basis on 17 January 2005 and a distribution was paid to holders on 17 February 2005.

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.

Seasonality of Underlying Stock Dividends.

In the quarter ending 28 February 2005 the dividends received from the underlying shares were lower than expected due to the lower propensity for companies to pay dividends around the Christmas/New Year period.

Appreciation of the AUD v USD. This has impacted both the value of the dynamic portfolio and the recent distribution. The AUD/USD rate has risen from 0.7729 cents on 6 December 2004 (Issue date) to 0.7919 cents as at 28 February 2005.

Allocation to the Income Plus Trading Strategy. YIELDS2 has a current allocation of 100% to the IPTS.

(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 31 March 2005

ORB Technology Limited

Net Asset Value	A\$0.97	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\$8.79	Issuer	Guarantor
Capital Guarantee	A\$10.00		
Issue date	30 July 2004		
Maturity date	22 July 2010		

ORB International Enhanced Income (YIELDS2)

Closing price (ASX)	A\$9.30	Issuer	Guarantor
Capital Guarantee	A\$10.00		
Issue date	6 December 2004		
Maturity date	6 December 2010		

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