



ORB quarterly review

ORB

December 2004 | Issue No 5

ORB Technology Limited Performance



The Net Asset Value (NAV) per share rose from \$0.953 to \$0.967 over the quarter to December 2004, an increase of 1.5%. This increase in the NAV was attributable to a rise in the NASDAQ Composite (in Australian dollar terms) together with a small fall in Australian long-term interest rates. The NASDAQ Composite (in Australian dollar terms) ended 2004 broadly unchanged from its level when the fund was launched in October 2003.

The guarantee for investors on maturity on 26 September 2011 is presently \$1,000; 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 \$1,000, and the Margin Account at maturity, which is presently valued at \$0.271. The value of the Margin Account will vary over time depending on investment performance and expenses.

NAV history

Date	NAV/Share (A\$)
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

In addition to holding a diversified portfolio of target companies, the Fund has relied 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 has poor prospects compared with market expectations.

This approach is expected to be retained in the coming quarter, with targeted long investments offset by sufficient short investments, to retain a net long exposure to the market.

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	↓	+

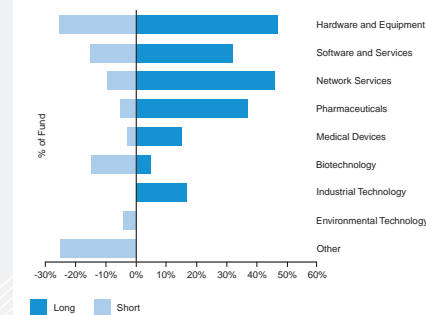
The Share price of ORB Technology Limited is published at the end of every month on our website, www.cgil.com.au, along with the monthly history of share prices.

Equity investment

The Investment Manager of Orb Technology, TechInvest, commenced the investment strategy in equity markets on 20 October 2003. Since that time the technology-oriented NASDAQ Composite (in Australian dollar terms) was flat (-0.1%) and the portfolio has been set to minimise market exposure with investments partially offset by a diversified portfolio of short sales. Equity exposure for the fund has been selected from the following sectors: Biotechnology, Environmental Technology, Industrial Technology, Medical Devices, Network Services, Pharmaceuticals, Software & Services and Hardware & Equipment. As at 31 December 2004, the portfolio was tilted towards Network Services and Pharmaceuticals, with lower weightings in Hardware & Equipment, Industrial Technology, Software & Services and

Medical Devices. 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. Risk was further reduced by the sale of index securities (see table below). The maximum equity portfolio available to the Investment Manager has been in the range of 70.7% to 82.1% of NAV during the quarter. During the quarter, the weights to Hardware & Equipment, Biotechnology, Pharmaceuticals and Software & Services were increased at the expense of Medical Devices and Network Services. Market risk was managed by including a number of offsetting short equity positions, while retaining a net long exposure. A number of short equity positions that either achieved their price targets or no longer met the criteria for inclusion in the portfolio were replaced by short index securities during the quarter.

ORB Technology Sector exposure as at 31 December 2004



Currency management

The Australian dollar rose by 8.2% over the December Quarter. This rise detracted from the increase in value of the offshore investments. There was no currency hedge put in place by the Investment Manager during the quarter. The balance of Orb Technology is held in an Australian dollar denominated Fixed Deposit Account.

As a result Orb Technology is exposed to movements in the US dollar to the extent of the size of the US dollar Margin Account, which at 31 December 2004 was 27.2% of Orb Technology.

Fixed deposit investment

Long-term interest rates fell over the December quarter to end the quarter lower than at 30 September 2004, increasing the present value of the fixed deposit. 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 may also choose to hedge the interest rate risk of the Fixed Deposit Account from time to time.

TechInvest Outlook

The global nature of firms in the knowledge industries of health care, information technology and telecommunications, where Orb Technology selects investments, provides some immunity to country and currency risks. Companies in these industries have distributed operations and source their revenues and profits globally, not just from the US. Indeed, much of the manufacturing and consumption in information technology is now being driven from China. Taking each of the technology sectors in turn:

Hardware and equipment

Hardware and Equipment saw a renewed emphasis on consumer electronics as the widespread adoption of innovative new products overshadowed corporate purchasing which continued to be conservative and incremental. Both corporate and consumer buyers of hardware and equipment had the pricing power. Cameras, music players, multi-function phones, laptops, flat screen displays, digital video & DVD recorders and game consoles were all strong areas, with Apple and Samsung the strongest brands. Apple's iPod has created a new natural monopoly with tight integration of the hand-held device, desktop software and iTunes online music store. The gaming hardware and software wars will heat up in 2005 as a new

generation of consoles are due to be launched by the three majors: Microsoft, Nintendo and Sony.

The semi-conductor industry continues to prolong Moore's Law, with Intel designing 65 nanometer feature-size microprocessors only two years after the reduction to 130 nanometer. As such, the long-term theme of declining computing costs remains intact.

Software

Software in a platform sense, is being driven by Linux and other open source initiatives, backed by an increasing array of major vendors including Hewlett-Packard, IBM and Sun Microsystems. Microsoft is seemingly unable to solve its ubiquitous security issues co-evolving with increasingly sophisticated digital criminals, but has paid out US\$3 billion in legal settlements during 2004 and is planning to distribute US\$75 billion to shareholders over the next four years. Consolidation in enterprise application vendors seems likely to increase with Oracle having recently captured Peoplesoft. Information Technology Services continue to take advantage of cheap bandwidth and developing economies by migrating to countries like India where wages are less than half of those in the United States and Europe. Bangalore is now a close second to Silicon Valley in having the largest concentration of technology workers.

Network services

Network services continued to grow rapidly at the data end, and to contract at the voice end (other than mobile). The number of mobile connections has surpassed the number of fixed line connections worldwide. Wireless data networks compete with fibre optic cable and the established copper-line networks to provide broadband internet access. Voice over internet protocol (VOIP) made further inroads into the corporate market as older PABX (private automatic branch exchange) systems are switched to DSL (digital subscriber line) and will mop up the remaining consumer voice traffic as more households switch to broadband and install VOIP handsets. Even mobile revenues are under threat from VOIP via Wi-Fi (wireless fidelity) networks.

The list of powerful online franchises continues to grow, with services like Google, iTunes and Netflix joining Amazon, eBay, E*TRADE and Yahoo! With continued growth in web retailing leading to a resurgence in web advertising, portals such as Google, MSN and Yahoo! are once again in vogue. Google shares floated at US\$85 in an auction process that left investors playing catch-up as the price climbed to US\$200.

Instant messaging and e-mail continue as core online applications, but web logs (blogs) reached prime time, breaking many stories during the US presidential election and eclipsing traditional media among online viewers. Peer-to-peer networks have withstood years of legal, technical and physical assault to account for half of internet traffic, mainly audio, video, software and now voice calls. Control of film, TV and music is now moving from distributors to viewers.

Pharmaceuticals

The largest sector of healthcare, has struggled this year as already slowing growth rates and a thinning pipeline of new drugs were exacerbated by safety concerns with blockbuster drugs. The US Food and Drug Administration issued a warning regarding the use of painkillers based on Cox-2 inhibitors, as studies indicated a higher risk of heart attack or stroke amongst users of these drugs. Chiron was forced to shut down production of Fluvirin flu vaccine at its plant in Liverpool, England after samples were found to be contaminated. The smaller, boutique pharmaceutical companies were generally less affected by these events.

Biotechnology

Biotechnology companies with drugs already in the market continued to deliver good growth and margins, while companies with drugs still in clinical trials offered poor risk-adjusted returns. There was some retracement in the "picks & shovels" technology providers as investment into the sector eased. Moore's Law (the halving of computing costs every eighteen months) continues to contribute to the achievements of biotechnology companies. A refined sequencing of the human genome was

published in late 2004 - this should aid the eventual production of customised medicines. In the agricultural/biotechnology arena, sequencing of the rice genome in China and coffee genome in Brazil could signal more widespread adoption of genetically modified agriculture in developing countries.

Medical device

Medical devices once again showed good growth rates and margins as aging baby-boomers continued to shift discretionary spending towards new products. Transplants of new hip and knee joints, heart valves and arterial stents are increasingly commonplace while cosmetic laser and eye surgeries are continuing to gain in popularity. As people now expect to live at least one-fourth of their lives in retirement, the demand for medical devices seems underpinned.

Industrial technology

Industrial technology has been underpinned by increased defence spending in aerospace, materials science and other areas. NASA's unmanned X-43A supersonic combustion "scramjet" achieved a record speed of almost 7,000 miles per hour as part of the search for alternative propulsion systems. Entrepreneur Burt Rutan claimed the US\$10 million Ansari 'X-prize' for the world's first private re-usable manned orbital vehicle, SpaceShipOne. Sir Richard Branson's Virgin Galactic has licensed the SpaceShipOne technology for suborbital passenger flights by 2007. The Mars rovers, Spirit and Opportunity, surpassed all expectations in wandering about the planet's surface sending back images and scientific test data.

Environmental technology

Environmental technology saw a boost from higher oil prices and the ratification of the Kyoto Protocol that will take effect 16 February 2005. Although Australia and the United States are notable non-participants, 136 countries have committed to the reduction of greenhouse gas emissions. Companies associated with hybrid engines, fuel cells or alternative power generation are expected to benefit from this global trend towards a cleaner environment.

ORB INTERNATIONAL ENHANCED INCOME (YIELDS) and (YIELDS2)

The Income Plus Strategy AUD Performance

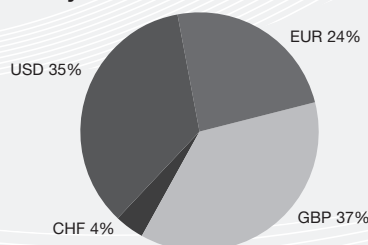


The Income Plus Strategy is based on Citigroup's proprietary trading model that seeks to offer a high level of income and potential for capital appreciation through exposure to global equity markets. Each year, the Strategy selects a portfolio of 30 high yielding stocks from the Dow Jones Global Titans 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 at their respective maturities. For the quarter ending 31 January 2005, the Strategy Price Return in Australian Dollars was -0.52%. This compares with -0.34% 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 Consumer Non-Cyclical's (3% of assets invested). The Telecommunications sector (12% invested) and Healthcare (14% invested) negatively affected performance. This negative performance can be largely attributable to the strengthening AUD. Against the USD it was 3.66% higher over the quarter, 1.6% higher against EUR and 1.05% 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 31 January 2005, the value of YIELDS as traded on the Australian Stock Exchange was down 3.3% for the quarter. The Fair Market Value was down 0.01%. 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 16% as at 31 January 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 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 exchange rate has risen sharply from 0.7025 cents on 30 July 2004 (Issue date) to 0.7755 cents as at 31 January 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 impacted.

Seasonality of Underlying Stock Dividends.

In the quarter ending 31 January 2005 the dividends received from the underlying shares was lower due to the lower propensity for US and European 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 month ending 31 January 2005, the value of YIELDS2 as traded on the Australian Stock Exchange was down 5.56%. The Fair Market Value was down 4.2%. This was largely as a result of the issue costs. The allocation to the IPTS remained unchanged since the issue date at 100% and the Gap Measure stood at 19% as at 31 January 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 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 31 January 2005 the dividends received from the underlying shares was lower than due to the lower propensity for US and European companies to pay dividends around the Christmas/New Year period.

AUD v USD. The currency has been largely unchanged from the issue date of 6 December 2004 to 31 January 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 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.

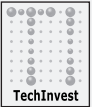

Disclaimers

ORB Technology Limited - This report has been prepared by TechInvest Pty Limited ("TechInvest") (ABN 43 084 084 444) for information purposes only and is subject to change without notice. Although the information provided in the report has been obtained from sources believed to be reliable, TechInvest does not guarantee its accuracy or completeness.



ORB International Enhanced Income YIELDS - This information provided on YIELDS has been sourced from Citigroup Global Markets Australia Pty Limited ("CGMA") (ABN 64 003 114 832 AFSL 240992), a Participant of the ASX Group and a Participant of the Sydney Futures Exchange Limited. It has been prepared by the Strategy Sponsor of YIELDS, Citigroup Global Markets Limited ("CGML"), for information purposes only and is subject to change without notice. Although the information contained herein has been obtained from sources believed to be reliable, CGMA and its affiliates ("Citigroup") do not guarantee its accuracy, and such information may be incomplete or condensed. Any prices used are indicative and may not be available when any order is entered. The value of investments mentioned herein and any income, which might accrue from them, may fluctuate and may fall or rise against an investor's interest. All opinions and estimates included in this document constitute judgment of CGML as of the date of this report and are subject to change without notice. Citigroup may from time to time take proprietary positions and/or make a market in instruments identical or economically related to financial products acquired by you, or may have an investment banking or other commercial relationship with and access to information from the issuer(s) of securities, financial products or other interests underlying transactions entered into with you. CGMA may also undertake proprietary activities, including hedging transactions related to the initiation or termination of a transaction with you, that may adversely affect the market price, rate, index or other market factors underlying a transaction entered into with you and consequently the value of the transaction.

ORB summary as at 31 January 2004

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)

Fair Market Value	A\$8.86	Issuer	Guarantor
Capital Guarantee	A\$10.00		
Issue date	30 July 2004		
Maturity date	22 July 2010		

ORB International Enhanced Income (YIELDS2)

Fair Market Value	A\$9.34	Issuer	Guarantor
Capital Guarantee	A\$10.00		
Issue date	6 December 2004		
Maturity date	6 December 2010		

How to contact ORB

**Australia investors
please call toll free**

1800 667 672

**New Zealand investors
please call toll free**

0800 550 152

**Financial Advisers in Australia
please call toll free**

1800 667 671

**Financial Advisers in New Zealand
please call toll free**

0800 550 151

Email

enquiry@cgil.com.au

Website

www.cgil.com.au



CAPITAL GUARANTEED
INVESTMENTS LIMITED

Capital Guaranteed Investments Limited

Level 10, 4 O'Connell Street,
Sydney NSW 2000.
GPO Box 4569, Sydney NSW 2001.
Telephone (02) 9236 5777

Australian Financial Services Licence 226 842 Capital Guaranteed Investments Limited ("CGIL") prepares and issues the ORB quarterly review. CGIL has obtained the information from sources believed to be reliable, it does not guarantee its accuracy, and such information may be incomplete or condensed. Investors should seek independent advice from their financial adviser in assessing the information contained in this quarterly review. None of Citigroup Global Markets Australia Pty Limited or its affiliates take any responsibility for the content of the ORB quarterly review. Citigroup and the Umbrella Device logo are service marks of Citicorp and its affiliates used and registered throughout the world and are used by Capital Guaranteed Investments Limited under license. None of Capital Guaranteed Investments Limited or any other person named in the ORB quarterly review make any representation or warranty, express or implied, regarding the likely investment returns or the performance of the investments mentioned herein.