



Orb quarterly review

June 2004 | Issue No 3

Orb Technology Limited



ORB
Technology

The Net Asset Value (NAV) per share rose from \$0.970 to \$1.002 over the quarter to June 2004, an increase of 3.3%. This improvement in the NAV was against the background of a rise of 2.7% in the NASDAQ Composite, a fall in the Australian dollar of 9.6% and a small rise in Australian long term interest rates. The guarantee for investors on maturity on 26 September 2011 is A\$1.00.

Date	NAV/Share (A\$)
30 June 2004	1.002
31 May 2004	1.003
30 April 2004	0.977
31 March 2004	0.970
29 February 2004	0.946
31 January 2004	0.928
31 December 2003	0.925
30 November 2003	0.914
31 October 2003	0.923
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 from the second week of every month on our website, www.cgil.com.au.

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) has risen 5.7%. 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 Technology Hardware & Equipment. As at 30 June 2004, the portfolio was weighted towards Network Services and Software & Services with a relatively low weighting in Pharmaceuticals and a net short position in Biotechnology (see graph below). The maximum equity portfolio available to the Investment Manager has been in the range of 89% to 105% of NAV during the quarter. The top three investments as at 30 June 2004 were Ati Technologies Inc. (design and manufacture of 3D graphics and digital media silicon solutions), Open Text Corporation (develops, markets, licenses and supports collaboration and knowledge management software), and Symantec Corp (provides content and network security software and appliance solutions to enterprises, individuals and service providers). Market risk was managed by including a number of offsetting short equity positions, in

companies that the Investment Manager regarded as having poor prospects in those sectors.

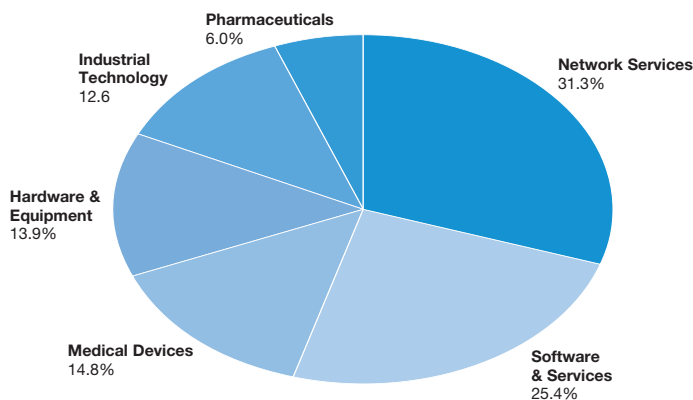
Currency management

The Australian dollar fell by 9.6% over the June Quarter. Some of the gains that would have accrued to the fund as a result of the increase in value of the US dollar-denominated Margin Account were offset by a currency hedge put in place by the Investment Manager; as at 30 June 2004, 73% of the Margin Account, which is denominated in US dollars, was hedged back into Australian dollars. The balance of Orb Technology is held in an Australian dollar denominated Fixed Deposit Account. As a result Orb Technology has only a small exposure to movements in the US dollar.

Fixed deposit investment

Long term interest rates first rose and then fell over the June quarter to end the quarter higher than at 31 March 2004, reducing slightly 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.

Orb Technology Sector exposure as at 30 June 2004



As at 30 June 2004, the portfolio included a small net short position of 4.0% in Biotechnology.

Outlook

Financial markets are struggling to understand and discount into the relative valuations of virtually all commodities and financial instruments three secular characteristics of the last two decades: lower inflation and macro-economic volatility, increasing globalisation and technology-driven productivity increases arising out of physics, computing and biology. The rewards for correctly assessing the impact of these factors on the companies in Orb Technology's universe of opportunities are high.

It would seem that the US Federal Reserve Board has prevented a deep recession in that country that could have pushed the United States and the world into a deflationary spiral. Massive policy easing has cushioned corporate profitability by boosting consumption and has helped create strong financial gains. There has been a recovery in the US corporate sector, with improvements in the capital goods sector and strength in leading indicators. The Fed is now in the process of engineering progressively higher interest rates before inflation takes hold. This is being priced in by markets, dampening prospects for profit growth. While company earnings have improved dramatically from cycle lows, further improvements will be more difficult.

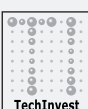

Nevertheless, industrialised economies are currently enjoying a period of above

trend productivity growth characterised by technology innovation that is changing the way organisations are structured and capital and labour interact. The Investment Manager is seeking to identify those companies that are involved in these developments and compare the valuations they have determined with those implied by the market. Against this backdrop, TechInvest continues to see the best opportunities in Network Services and Software & Services and remains cautious about the prospects for Hardware & Equipment which appears to have fully priced in the recovery. The fund is carrying a net short position into the September quarter in Biotechnology where the manager is concerned about unrealistic valuations.

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 new financial year, with a high utilisation of the Maximum Equity Portfolio in targeted long investments offset by sufficient short investments, to retain a net long exposure to the market.

Orb summary as at 30 June 2004

Orb Technology Limited

Net Asset Value	A\$1.002	Investment Manager	Guarantor
Capital Guarantee	A\$1.00		
Issue date	October 2003		
Maturity date	September 2011		



ORB International Enhanced Income (ORB IEI) closed for subscription on Friday 23rd July 2004. The September ORB quarterly review will provide an update for investors for this issue.

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