

# TI Explicit Alpha Fund

## Monthly Letter

### December 2006

The TI Explicit Alpha Fund is a global equity fund that seeks to exceed unhedged global sharemarket returns, using stock-picking to establish investments and offsetting short sales in selected companies. Implementation is by way of a global equity index base combined with TechInvest's active market-neutral TI Intercept Capital Fund.

The Fund recorded a post-fee return of +1.6% for the month of December 2006. Since inception on 25 July 2006, the Fund has produced a post-fee return of +10.6% (not annualised) compared with the return from global shares in Australian dollars terms of +9.4% over the same period.

#### Performance and Structure

The Fund returned +1.58% (after fees) during the month of December 2006, compared with a +2.10% return for global shares (\$A terms). The following table summarises the Fund's holdings.

	% of Net Asset Value
Global Equity Index Securities	100.0%
Cash	0.0%
Intercept Capital Fund	40.0%
<b>Total</b>	<b>140.0%</b>

Note: While total investments exceed the Net Asset Value of the Fund, the market-neutral nature of TI ICF means the effective net exposure of the Fund is approximately 100%.

#### Intercept Capital Fund Investment

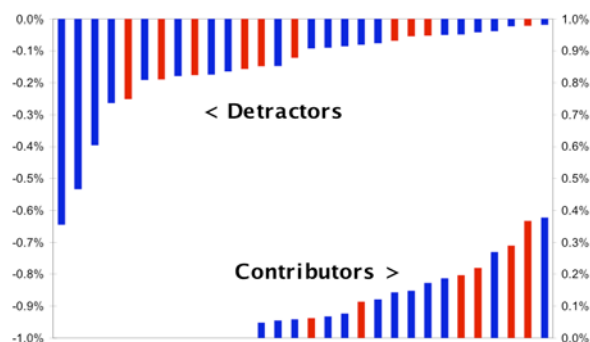
##### Portfolio Composition

At end December, 84% of the Fund was invested in 32 companies the manager identified as being undervalued. The Fund also included short sales, on a beta adjusted basis, in 18 companies that the manager believed were overvalued which along with an index security, totalled 82% of the Fund

##### Security Selection

Putting aside the index position in place to achieve the Fund's target leverage, detractors outweighed contributors this month. OmniVision Technologies Inc (long), a maker of semiconductor image sensor devices, and Juniper Networks Inc (long), a provider of Internet protocol (IP) network solutions, both gave up some of the gains made earlier for the portfolio. CryptoLogic Inc (long), a recent addition to portfolio that provides software and services to the Internet gaming market and Sirius Satellite Radio Inc (short) that operates satellite radio in the United States, were the main contributors to return for the month. The graph below shows contributors to and detractors from performance on a % of NAV basis, excluding the impact of currency, with shorts shown in red and longs in blue

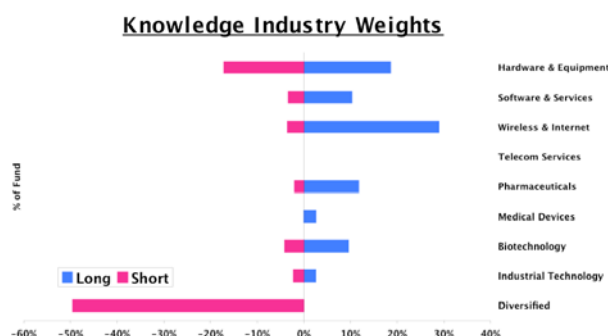
##### Contribution (% of NAV)



Note: 1. Not all holdings in chart held for entire month.  
2. Excludes contribution from any index positions.

#### Industry Structure

In December, the portfolio favoured Wireless & Internet, with lesser exposure to Pharmaceuticals, Software & Services and Biotechnology. A sizable index short position was held during the month. The following table summarises the structure as at 31 December 2006:



#### Outlook

Within the knowledge industries, biotechnology and computing were generally weak while telecommunication firms performed well in December.

According to the NY Times, Google displaced Yahoo as the world's second-most-visited Web site in November (475.7 mill visits), closing in on the leader, Microsoft (501.7 mill visits).

Within the technology sector, Citibank are forecasting increased growth in 2007 in PC sales, game consoles and game software, and a slowdown in growth of handset sales and semiconductor equipment. Growth in Internet advertising is expected to slow, but remain at high levels.

Signs of cooling off in the US housing market, and declines in commodity prices from new peaks in 2006, point to slower economic growth in 2007 and a slowdown in company earnings.

#### Unit Prices

	Application Price	Net Tangible Assets	Redemption Price
31-Dec 2006	\$1.1088	\$1.1055	\$1.1021
30-Nov 2006	\$1.0915	\$1.0883	\$1.0850
31 Oct 2006	\$1.0684	\$1.0652	\$1.0620
30 Sep 2006	\$1.0593	\$1.0561	\$1.0529
31 Aug 2006	\$1.0299	\$1.0268	\$1.0238
31 Jul 2006	\$1.0054	\$1.0024	\$0.9994
25 Jul 2006	\$1.0030	\$1.0000	\$0.9970

#### 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](mailto:TechInvest@computershare.com.au).

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