

# TI Explicit Alpha Fund

## Monthly Letter

### August 2007

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 +6.6% for the month of August 2007. Since inception on 25 July 2006, the Fund has produced a post-fee return of +9.4% per annum compared with the return from global shares in Australian dollars terms of +10.7% per annum over the same period.

#### Performance and Structure

The Fund returned +6.57% (after fees) during the month of August 2007, compared with a +5.13% return for global shares (\$A terms). The following table summarises the Fund's holdings.

|                                | % of Net Asset Value |
|--------------------------------|----------------------|
| Global Equity Index Securities | 99.8%                |
| Cash                           | -38.3%               |
| TI Intercept Capital Fund      | 38.5%                |
| Total                          | 100.0%               |

Note: Cash includes the liability associated with investing in the TI Intercept Capital Fund.

#### Intercept Capital Fund Investment

##### Portfolio Composition

At end September, 68% of the Fund was invested in 26 companies the manager identified as being undervalued. The Fund also included short sales in 20 companies that the manager believed were overvalued which, including index securities, totalled 63% of the Fund.

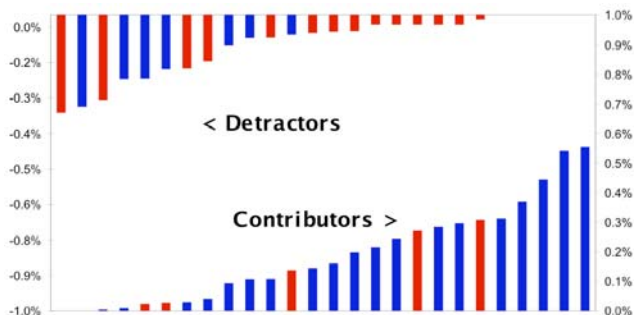
##### Security Selection

Long investments again dominated contributors for the month including; China Mobile Limited, a provider of mobile telecommunications in Mainland China, eBay Inc the online auction company and Bio Reference Laboratories Inc an independent NY-based clinical laboratory.

Main detractors for the month were; Boston Scientific Corp (short), King Pharmaceuticals Inc (long), a developer, manufacturer, and distributor of branded prescription pharmaceutical products and LG Philips LCD Co Ltd (short) a manufacturer and supplier of thin-film transistor liquid crystal displays panels.

The graph below shows performance contributors and detractors on a % of NAV basis, excluding the impact of currency, with shorts shown in red and longs in blue.

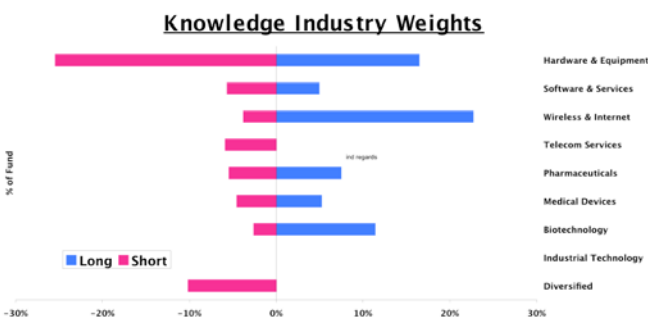
##### Contribution (% of NAV)



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

#### Industry Structure

In September, the portfolio favoured Wireless & Internet, with lesser net long exposures to Biotechnology, Pharmaceuticals and Medical Devices. Net short positions were held in Hardware & Equipment, Telecom Services and Software & Services. The index short position was reduced during the month. The following chart summarises the structure as at 30 September 2007:



#### Outlook

The US Federal Open Market Committee's unexpected 0.5% rate cut, generated renewed optimism in sharemarkets. For Australian investors, strong returns in offshore markets were offset by a rise in the Australian dollar.

Confirming the adoption of online activities by traditional firms, HitWise reports that six of the top 10 e-commerce sites are operated by well known "offline" businesses, such as Walmart and Macys.

The International Telecommunications Union report 1.27 billion fixed lines and 2.68 billion mobile accounts worldwide, with 61% of mobile subscribers in developing countries.

FinanceAsia report that Samsung Electronics has started shipping 64GB flash-based solid-state drives to Dell for use in premium notebooks. Requiring no motor, they do not generate heat and noise and are quite shock resistant.

#### Unit Prices

|             | Application Price | Net Tangible Assets | Redemption Price | Distribution |
|-------------|-------------------|---------------------|------------------|--------------|
| 30 Sep 2007 | \$1.0740          | \$1.0708            | \$1.0676         |              |
| 30 Jun 2007 | \$1.0791          | \$1.0759            | \$1.0727         | \$0.0097     |
| 31 Mar 2007 | \$1.0834          | \$1.0801            | \$1.0769         |              |
| 31 Dec 2006 | \$1.1088          | \$1.1055            | \$1.1021         |              |
| 30 Sep 2006 | \$1.0593          | \$1.0561            | \$1.0529         |              |
| 25 Jul 2006 | \$1.0030          | \$1.0000            | \$0.9970         |              |

Note: June prices are after impact of annual distribution

#### 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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