Global Fund Services Ltd.

an investment consultancy

FUND ANALYSIS

LIONTAMER Tiger Fund Series 2

Liontamer Tiger Series 2 Trust 15

Summary

For this second Asian markets product, Liontamer has made some significant changes. It is offering two types of unit, with a choice of a 4 or 5 year term and it has substantially altered the country weightings, making this an entirely different investment proposition from the first one. The familiar features of full capital protection and low fees remain and a 'booster units' 120% growth option is available. The Tiger fund is appropriate for any investor seeking diversified exposure to Asia within a low risk setting.

The objective of the fund is to deliver 100% (or 120% with the 'booster' units option) of the growth in the index basket, together with a full return of capital at maturity. The growth in the fund is based on the performance of Liontamer Tiger 2's Index, a basket of five Asian sharemarket indices. The component indices are the Japanese Topix (given a 35% weighting), Hong Kong (20%), India (20%) Taiwan and Korea (12.5% each). China and Singapore, which made up 37.5% of the Series 1 index, have been dropped for this fund but the China factor is still intact with the inclusion of Hong Kong. In order to provide the capital protection, Liontamer buys fully protected structured notes issued by Barclays Bank. The returns on units of the Tiger fund mirror those on the notes, which are ranked equally with all notes issued by Barclays.

Recent launches from Liontamer have included an early maturity feature if the fund achieved a set growth target. Given the shorter term on this product, the early maturity feature has not been included. An exit fee of 3% applies to repurchases and redemptions in the first two years and a 2% fee applies after that. There is no fee payable at maturity, so clearly this type of product is designed to be held to its full term. The question likely to be asked is 'where does this fund fit in with my clients' overall portfolio?' Investors seeking the benefits of international diversification but who may be wary of putting money with a single manager providing no downside protection would be well-advised to use this type of fund. The capital protection provides a degree of comfort, but investors need to be aware that the Asian markets are likely to go through a low or even negative growth phase at some time in the next five years. It is hoped that overall, the basket will produce a positive return over the term, but there are no guarantees. Advisers and their clients need to weigh these factors and be comfortable tying up their investment. Overall, the concept has a great deal of logic to it, combining genuine growth potential with a stop-loss facility.

At-A-Glance Guide

Investment profile:	Growth
Securities held:	Structured notes issued by Barclays Bank PLC
Benchmark:	Performance linked to a basket of five Asian sharemarkets
Term:	Tracker units 4 years Booster units 5 years
Capital Protection:	100% of the principal*
Base currency:	NZ Dollar
Minimum Investment:	$5,000
Entry Fees:	3% (rebateable in full or part)
Management Fees:	None levied by Liontamer
Other charges:	2% brokerage fee 3% early exit fee applies in first two years, 2% thereafter
Fund Status:	Closed-ended
Domicile/Structure:	Australian Unit Trust
Custodian:	NZ Guardian Trust Company
Supervisory authority:	NZ Permanent Trustees

*subject to the investment being held to term

Advantages of the fund:

Security of invested capital, protection provided via notes issued by Barclays Bank, rated AA by Standard & Poor's

Low entry level allows unsophisticated investors diversified access to a relatively high risk investment region

Booster units provide significant growth potential

Disadvantages

Asian markets are volatile, so growth prospects for the Tiger Index over the term are uncertain.

Japan has had more than its fair share of false dawns in the past 15 years

There are penalties for early redemption and there is no capital protection on early redemptions, unless he unit price has risen above $1.00.

Risks:

The threat remains of a change in the tax treatment of offshore funds. Proposals from the Government in 2005 indicated a change that would make offshore investment less attractive than domestic NZ investments, but this has been challenged by the industry and current indications are that Australian investments will be treated in the same way as NZ investments.

Investors are exposed to Barclays' credit risk for the repayment of their principal and returns. However, Barclays has a strong credit rating (AA by Standard & Poor's).

Asian Markets Investment – product background

While this fund is less of a China play than the previous Tiger Fund, the managers have had China very much in mind when deciding the underlying asset basket. The stated aim of the fund is to give investors exposure to those Asian countries likely to benefit from China's economic growth. That is why the fund has an overweight exposure to Japan, because China is playing a part in Japan's recovery. Many Japanese firms have bought factories in China to cut manufacturing costs and have woken up to the possibility of the fast-growing economy as an enormous market. China is now Japan's largest customer. In its own right, Japan is set for a sustained period of growth. Structural changes in the Japanese economy are finally beginning to have a positive impact. Banks have been encouraged to deal with their immense burden of bad loans and, as reforms by the Koizumi government begin to have an effect, growth has returned. Significantly, bank lending is now expanding for the first time in many years. Merrill Lynch's latest global fund manager poll showed that Japan was where investors are most like to be overweight in the next 12 months. Having said all that, so far this year, Japan's stock market has been making headlines for all the wrong reasons (the Livedoor shares scandal has undermined confidence in the market). Nonetheless, the major western institutions are not revising their forecasts and indeed there are some who believe that Japan's growth prospects have been understated.

These markets have the potential to be highly rewarding for investors, but they have also shown a propensity for boom and bust type volatility. Which is why Liontamer's protected capital approach to investing is well-suited to an Asia-focused product. You are protected from the worst of the possible scenarios (another Asian crisis) and you are encouraged to take a four or five year view. While timing is always important in investing, and there is a risk that this product may mature at a bad time for the Asian markets, the combination of growth in Greater China, Japanese resurgence and the immense potential still untapped in India, should provide a potent mix. There is more than a little skill involved in correctly setting the terms and overall proposition for these products and Liontamer has shown an ability to create products that capture the moment and meet a definite demand in the professional adviser market.

FUND MANAGER PROFILE – **LIONTAMER PROTECTED INVESTMENTS**

Liontamer is a Sydney based fund company. The products are structured as Australian unit trusts, so that investors do not suffer due to the automatic taxation of NZ unit trusts. However, for the purposes of product marketing and distribution, Liontamer is a New Zealand-based company. Its key personnel are based in New Zealand, including two individuals who have extensive experience in the field of structured products. The first is Laetitia Peterson, a Belgian investment banker, fluent in 4 languages, with an MBA from Chicago and experience gained with Goldman Sachs in the US and UK. She has been involved in the development of structured retail products in Europe. Before establishing Liontamer in 2003, she was responsible for developing the BNZ's successful capital protected product series.

The second key person at Liontamer is Janine Starks, a New Zealander who, while working in the UK for a leading adviser firm, Chase de Vere, became an expert in the structured products market. She has been actively involved in the development of many of the UK's new innovative capital protected products. As such, Liontamer is uniquely qualified to be creating these products. The products themselves carry the stamp of quality provided by the involvement of highly-rated names such as Barclays Bank, Deutsche Bank, Morgan Stanley, NZ Permanent Trustees, and NZ Guardian Trust.

About Global Fund Services

GFS is an investment consultancy based in Auckland. Its managing director is Richard Newell, a former director of the UK fund research house and fund of funds manager Forsyth Partners. Since moving to New Zealand with his family in 2000, Richard has worked as a consultant within the financial services industry, both in New Zealand and offshore. He spends a lot of time in the Asian region and through his various consulting projects maintains contact with senior personnel and specialist fund managers at many of the leading international asset management companies. The GFS fund analysis service provides professional financial advisers with the means to identify top quality investment funds. Through on-going monitoring work, you can remain fully appraised of specific fund manager strategies. You can access GFS factsheets on the Liontamer funds at: www.richardnewell.com

Global Fund Services Ltd.

an investment consultancy

If you would like more detail of any products contained within the GFS Fund Analysis universe,

email: richardnewell@xtra.co.nz
Or telephone: +64 (0)9 529 1611
Mobile: +64 (0)21 534 456

Mailing address:
8 Elmstone Avenue, Remuera,
Auckland 1005, New Zealand