

## Summary

The Liontamer protected capital funds offer cautious or risk-averse investors the opportunity to access high growth markets with the safety net of capital protection. Recent launches have offered investors access to some of the hot investment stories, such as commodities and the boom in China. This latest fund, available in July and August 2006, continues the global growth theme that has characterised the group's recent launches. Consumption is growing around the world. The truly global companies have the potential to deliver the greatest investment returns. Protection is underwritten by Barclays Bank. There is no management fee but there are penalties for early redemption.

The assumption behind this fund is that we are in a period of positive and fairly robust global growth that is being propelled in no small part by increasing global consumption (see page 2 for more background). Investments in the Global Brands fund are linked to a specially-created brands index. The Liontamer Global Brands Index is made up of 10 shares of internationally recognised companies with valuable brands. The index contains three US companies; Citigroup, PepsiCo and Procter & Gamble; two Japanese, Canon and Toyota; three German firms, Daimler Chrysler, SAP and Siemens; the French firm L'Oreal and the Swiss firm Nestle.

Liontamer is making available two types of unit, one with full capital protection and another providing 90% protection and an additional growth booster. Liontamer has identified that some investors want to be a little more aggressive. A product that is clearly setting out to pursue a growth theme lends itself to the idea of different levels of exposure. The two types of unit are: Booster units, with a five year term, full capital protection at maturity and aiming to lock in 1.2 times the rise in the index as a booster to returns. Super booster units: a four year term, 90% capital protection, with the other 10% used to purchase an additional booster component on the return. The aim is to lock in 1.5 times the rise in the index. The booster feature will not be locked in until the end of the offer period (just before the fund invests), allowing Liontamer to obtain the best possible booster feature at the time. This is the same procedure adopted for the COMBI funds.

The product also has an early maturity feature which is triggered if the value of the underlying securities hits \$1.60 inside three years. While there are fees applying to this for repurchases, the early maturity kick-out should be considered a good thing.

Investment advisers may wonder where this fund fits within their clients' portfolio. Structured products such as this offer retail investors access to markets and investment approaches they wouldn't ordinarily be able to access. A 'thematic' approach to investing, in this case using global brands as a play on increasing global consumption, allows the investor to harness new opportunities. Normally, you wouldn't comfortably recommend a fund with such a small number of component stocks. The capital protection is a key element. In particular for NZ investors, it provides more international diversification as well. Currency exposure is hedged, so investors are not exposed to fluctuations in exchange rates.

## At-A-Glance Guide

Investment profile:	International Equities
Investment strategy:	Concentrated index
Securities held:	Structured notes issued by UBS
Benchmark:	Performance directly linked to the Global Brands Index
Term:	4/5 years
Growth options	<u>Booster Units</u> - 100% protection / 1.2x index return* <u>Super Booster units</u> - 90% protection / 1.5x index return*
Early Maturity	Possible in first 3 years if the value of notes reaches \$1.60
Capital Protection:	90%/100% options*
Fixed Return:	0.05% p.a. paid 30 June*
Base currency:	NZ Dollar
Minimum Investment:	\$5,000
Entry Fees:	3% (rebatable in full or part)
Management Fees:	None
Other charges:	Built-in brokerage fee 2% Exit Fees 2-3%
Fund Status:	Closed-ended
Domicile/Structure:	Australian Unit Trust
Custodian:	NZ Guardian Trust Company
Supervisory authority:	NZ Permanent Trustees

\*subject to the investment held to term. Levels of each booster are indicative only

## Advantages of the fund:

- Security of invested capital
- Provides diversification and significant growth potential
- Excellent return prospects for the level of risk
- Choice of unit caters for cautious or aggressive investors

## Disadvantages

- Capital is tied up for between four and five years
- There are penalties for early redemption and no capital protection on early redemptions

The fund is an Australian unit trust. Changes to the taxation of offshore funds from 2007 onwards will have a material impact on this and other offshore investments.

## Risks:

For booster unit holders, a negative return for the Index over the term would result in a return of capital but no growth on the investment. As a consequence, the investor will have lost the opportunity to grow that capital over the term.

Super booster unit holders will receive back only 90% of the capital in the unlikely event of the index returns being negative after 5 years.

### **The Liontamer Global Index – product background**

When people talk about global consumption, they usually mean US consumption, as a major driver of market sentiment. But the picture is changing, with the growth of domestic consumption in China and India, together with sustained recovery in Japan. The wealth of these new Asian consumers is growing and they are demanding more branded goods. In Asia especially, companies with well known brands provide an aspirational quality, status and are trusted by consumers. Looking at the portfolio constituents, including three US brands and three German brands, this is clearly more than a play on Asian growth. Investors are buying into the global economic growth story. Liontamer has drawn on the experience of its banking partners in putting together its own research on the index constituents. Most structured product companies just pick single stock baskets based on market cap. Liontamer's criteria has assessed companies on their ability to exploit global demand. Two research houses have been tapped into; a major global investment bank and a European fund manager. Liontamer have overlaid their two main sources and ensured the index has an industry and geographical spread. Why only 10 stocks? Liontamer clearly feels that it wants to provide investors with a strong performing product and one way to do that is to concentrate the portfolio, to focus on those areas that will provide the most return and not to dilute that with average performers. Tax remains an unresolved issue for NZ investors. The introduction of a new system of taxing capital gains on offshore funds, to be introduced next year, does need to be considered in the context of an investor's overall asset mix. Liontamer has always taken the view that clients must look at the investment on the basis of its suitability regardless of the tax treatment, but then assess the likely taxation scenario for their own situation. For New Zealand investors, it is important to recognise the importance of maintaining their offshore exposure despite the tax changes. The growth opportunities in New Zealand are fairly limited, so wise investors are looking to increase their international diversification. World markets experienced a fairly sharp decline during May and June which has some people worried about future performance. The US markets seem excitable and are over-analysing ever utterance by the new Fed chairman Ben Bernanke. Professional investors are fairly convinced that the recent correction in markets is a natural occurrence, and it shows the market is functioning as it should. So this product is well-timed, allowing investors to get in after prices have dropped.

### **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 current 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. As such, he retains contact with senior personnel and specialist fund managers at many of the leading international asset management groups. GFS provides advisers with the means to identify and access 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](http://www.richardnewell.com)

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