

NOTICE OF CHANGE TO TERMS & CONDITIONS

On 1 April 2007, Liontamer brought in changes to the rules which affect early exits and transfers from all Liontamer funds.

For the last three funds we have launched, the rules have already been implemented. For consistency, and only after careful consideration and having taken advice on the issue, Liontamer has decided to make these changes so that they apply across all funds. Please take a moment to familiarise yourself with the changes outlined below:

Early exits:

- Early exits are possible from all Liontamer funds. These have been standardised to occur quarterly, at the end of January, April, July and October. The early exit fee has also been standardised to a flat 2% for all funds (previously up to 3%).
- The maximum price you can exit at prematurely, (unless there are exceptional circumstances as described below) is \$1 per unit, less a 2% early exit fee
- We always like to remind investors that capital protection only applies at maturity. This means if you exit early, you could get back less than the \$1 maximum described above (this is because there can be break costs involved in selling the investments the fund holds, plus an exit fee on top of this)
- If the reason that you need to exit from the fund is, in Liontamer's view, 'exceptional', it may be possible to exit at a unit price higher than \$1 (if the investments held by the fund have grown). Examples of exceptional circumstances would include death, serious illness or serious financial hardship. In this situation, we will need details of your circumstances in writing – your financial adviser or broker will assist you or your family with this process

Transfers:

- These are now only possible between immediate family members or between family trusts and their beneficiaries
- Transfers can only take place at a maximum value of \$1

Why have we changed the rules?

The rules have been changed to achieve consistency across all Liontamer funds.

Beyond that, we have been aware for some time that it is important to promote capital protected funds as 'hold-to-maturity' investments. This is because the protection only applies at the end of the term and investors should only buy units when they are prepared to hold them for the full period.

Due to their hold-to-maturity nature, capital protected investments do not make ideal trading instruments and should not be treated as such. Complications arise when one investor sells to another at prices beyond \$1. For the new owner of the units, their investment is not capital protected to the same degree as other investors and this leads to confusion as well as additional risk.

Please remember, it is still possible for all investors to exit a Liontamer fund if necessary, it is just the rules around the unit price which have changed.

Looking back at the last 4 years, we have only had a tiny fraction of investors who have required an early exit. The numbers are less than 1%. And, in the vast majority of cases, those people were exiting for reasons which would qualify as 'exceptional circumstances'. Therefore, on a practical level, we are confident that the impact of the new rules is low.

Tax changes

In addition, there have been changes introduced by the Government on the taxation of offshore investments. Broadly, these apply to individual investors who own certain offshore investments which cost more than \$50,000 at the time of purchase. Companies and most trusts cannot benefit from this \$50,000 cost threshold. Due to these changes, we needed to ensure that all of our funds were treated in a consistent manner to reduce confusion.

Your financial adviser or broker will be able to assist you with information about the new tax regime in due course. While the new rules came into effect on 1 April 2007, for the vast majority of investors, the actual calculation of tax is not necessary until 31 March 2008. This gives ample time for both investors and their tax advisers to become familiar with the rules.

Yours sincerely



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