

# LIONTAMER WELCOMES KBC AS NEW SHAREHOLDER

Dear Investor

We are very excited to announce (and you may have already seen this in the media) that we have just been joined in a strategic partnership with the asset management arm of Europe's 11th largest bank, KBC Group. We are obviously thrilled with this new relationship as we strongly believe that KBC Asset Management brings a lot of international expertise and resources to the New Zealand market.

While the KBC name is not immediately recognisable to most, they were already quite familiar to us here at Liontamer. In fact, they're a very well known name in our industry internationally. We've monitored their funds for years and have maintained a long-standing relationship with their asset management team, who have acted as mentors on a personal level. Over the years, we've kept in regular touch via visits to Europe and conference calls to share ideas. So it was no real surprise when KBC first approached us to take a 51% stake in Liontamer.

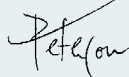
Based in Belgium, KBC operates across Europe and Asia and has 11 million customers and over 50,000 employees. The bank has a market capitalisation of NZ\$66 billion - that's bigger than New Zealand's top 50 companies combined (\$53 billion) - so they have an incredible depth of resource and influence. As one of the leading distributors of capital protected products in Europe, they know our industry inside out. And as a major player in the industry, this new partnership provides Liontamer with the ability to source the latest ground-breaking investment opportunities from Europe and create even better terms for investors here in New Zealand.

We believe that investors will benefit hugely from the experience and resources that KBC bring to New Zealand. We hope that you will be able to gain from that experience soon, as we offer even more new and exciting funds in the near future.

2007 has been another busy year for both investors and investment markets; an unpredictable kiwi dollar, rising interest rates, climbing house prices, KiwiSaver, and changes to the tax environment, have meant Kiwi investors have had to keep one eye on their portfolio and the other on the deluge of media reports alternatively proclaiming doom... or boom. Fortunately as an investor in Liontamer's range of capital protected products you can have some peace of mind, knowing that at the end of the relevant investment period, at the very least, your capital will be returned to you - plus we hope, some great gains!

Thank you very much for your support this year.

Best wishes



**Laetitia Peterson**  
MANAGING DIRECTOR



**Janine Starks**  
INVESTMENT DIRECTOR



## KBC FAST FACTS

**Market capitalisation:**  
€35 billion (NZ\$66 billion)

**Assets Under Management:**  
€162 billion (NZ\$290 billion)

**Employees:** Over 50,000

**Customers:** Over 11 million

**Number of structured products:** 1,200

**Number of structured products, issued per month:**  
20-30

**Number of managed funds:** 254

**Credit rating:** S&P A+



Source: KBC Group, as at April 2007

## NEW LIONTAMER BOARD MEMBERS

With the involvement of KBC the Liontamer board has gained some new faces and a lot of additional experience. The new board is made up of eight members. Liontamer's existing directors all remain on the board and four new directors join us:



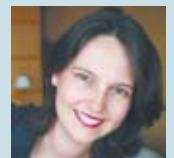
**Stefan Duchateau**  
Liontamer's new Chairman and the CEO of KBC Asset Management (based in Brussels)



**Erwin Schoeters**  
Managing Director, KBC Asset Management (based in Brussels)



**Wim Allegaert**  
Head of Product & Business Development, KBC Asset Management (based in Brussels)



**Simone Sweets**  
Regional Director, KBC Asset Management, China (based in Shanghai)

LIONTAMER INVESTMENTS



LIONTAMER

## FUND PERFORMANCE UPDATE

Trust No.	Fund name	Start date	Hold-to-maturity value	Trust No.	Fund name	Start date	Hold-to-maturity value
1	<b>EASY Series 1</b> MSCI Index	30 July 03	\$1.7575	12	<b>TIGER Series 1</b> Tiger Index (Asia)	08 Aug 05	\$1.7637
2	<b>EASY Series 2</b> MSCI Index	12 Nov 03	\$1.5401	13	<b>GLOBAL Series 1</b> Global Index Booster units	23 Nov 05	\$1.3724
3	<b>SUPER Series 1</b> MSCI Index	12 Nov 03	\$1.9482	13	<b>GLOBAL Series 1</b> Global Index Minimum return units	23 Nov 05	\$1.2489
4	<b>EASY Series 3</b> MSCI Index	11 Feb 04	\$1.4028	14	<b>JAPAN Series 1</b> Japan Index	22 Dec 05	\$1.1784
5	<b>SUPER Series 2</b> MSCI Index	11 Feb 04	\$1.7078	15	<b>TIGER Series 2</b> Tiger Index (Asia) Tracker units	04 May 06	\$1.1489
6	<b>COMBI Series 1</b> Commodities Index	1 Apr 04	\$3.1364	15	<b>TIGER Series 2</b> Tiger Index (Asia) Booster units	04 May 06	\$1.1787
7	<b>EASY Series 4</b> MSCI Index	21 May 04	\$1.5500	16	<b>GLOBAL Series 2</b> Global Brands Index Super-booster units	24 Aug 06	\$1.2344
8	<b>MONEY Series 1</b> Dynamic Carry Index	14 Jul 04	\$1.1263	16	<b>GLOBAL Series 2</b> Global Brands Index Booster units	07 Sep 06	\$1.2279
9	<b>MONEY Series 2</b> Dynamic Carry Index Accumulation units	24 Nov 04	\$1.1518	17	<b>COMBI Series 3</b> Rainbow Index Tracker units	13 Dec 06	\$1.0914
9	<b>MONEY Series 2</b> Dynamic Carry Index Income units	24 Nov 04	\$1.1387	17	<b>COMBI Series 3</b> Rainbow Index Booster units	13 Dec 06	\$1.0188
10	<b>COMBI Series 2</b> Commodities Index	22 Dec 04	Matured early at \$1.40	18	<b>BRICK Series 1</b> BRICK Index Base units	16 May 07	\$1.0735
11	<b>MONEY Series 3</b> Dynamic Carry Index Accumulation units	04 May 05	\$1.1373	18	<b>BRICK Series 1</b> BRICK Index Booster units	16 May 07	\$0.9980
11	<b>MONEY Series 3</b> Dynamic Carry Index Income unit	04 May 05	\$1.1328	19	<b>GLOBAL Series 3</b> Global Index	Now open	In offer period

Valuations as at 30 June 2007. The hold-to-maturity (HTM) values shown are not a market value or a value at which investors can exit the fund. The HTM value is a hypothetical value which reflects the relevant level of capital protection plus the formula of returns which apply at maturity. It represents what the value of each unit would be assuming it was maturing today and had been held for the full term. The HTM value gives investors an indication of how their investment is performing at the time the calculation is made. Investment must be held to maturity. Investors in a customised fund can visit [www.liontamer.com](http://www.liontamer.com) and use their password to access valuations for those funds.

### Early exits and transfers

Last month we wrote to tell you about some changes to the rules which affect early exits and transfers from all Liontamer funds. We amended these rules to ensure consistency across our range of funds. If you did not receive a copy of the Notice you can view it online at [www.liontamer.com](http://www.liontamer.com)

Now might be a good time for us to re-emphasise that capital protected funds are hold-to-maturity investments and it is important to remember that the protection only applies at the end of the term. 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. Talk to your adviser if you have any questions at all about exiting or transferring a Liontamer fund.

### Tax changes

The Government introduced new rules for the taxation of offshore investments which apply from 1 April this year for most investors.

As a guide, the old tax rules still apply to natural person investors (but not trustees) whose total offshore investment portfolios cost NZ\$50,000 or less.

The new tax rules will apply to all other investors (with some exceptions) from 1 April 2007.

Investors who fall under the new rules and who are able to apply the new Fair Dividend Rate (FDR) method will be taxed each year on 5% of the market value of their total offshore portfolio at the beginning of the year (opening market value or OMV). Liontamer and its advisers are working to ensure that the FDR method will be available in respect of our investments, under the new legislation.

Most investors will be able to choose to be taxed on their actual gains from their total offshore portfolio investments during the year if those gains are less than the deemed 5% return on those investments under the FDR method.

Your financial adviser or broker will be able to assist you with information about the new tax regime. 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.

## MARKET COMMENTARY

### World overview

In the past 12 months, the investment climate has been dominated by uncertainty about future developments in the economic situation in the US and the global demand for commodities. For a long time now, in the oil market in particular, there has been something or other to fuel jitters, including wrangling about Iran's nuclear ambitions, unrest in Nigeria and political interference in Venezuela.

On the US economy, in mid 2006 there was concern that the US Federal Reserve was not doing enough to combat inflation, subsequently followed by fears that it would overdo interest rate increases and so cripple growth, which was already in jeopardy due to a crisis in the US housing market. Financial markets returned to calmer waters around September 2006 as it became clear that the Fed had decided to call it a day on interest rate hikes.

The markets were shaken in late February, first by the sharp price falls on the Chinese stock exchange and then again when several financial institutions in the US that specialised in the sub-prime mortgage market (lending to borrowers with poor credit ratings) went into receivership. In recent months, recession fears about the US have subsided, however focus remains on the state of the US housing market and spiralling consumer debt.

### US

The US economy slowed throughout 2006 with growth hitting a low of 0.7% in the first quarter of 2007. The slowdown in growth was largely due to a recession in the housing market. The boom in the US housing market peaked in late 2005. This was followed by a marked slump, the effects of which started to make themselves felt on business activity and employment from the second quarter of 2006. Surprisingly, the housing market crisis had little impact on consumer confidence and a fall in petrol prices (from September 2006) came just in time to alleviate most of the agony.

Inflation surged immediately after Alan Greenspan retired and was replaced by Ben Bernanke at the Federal Reserve. The Fed raised its key lending rate for the last time in June 2006 and then left rates on hold in the second half of the year, based on the assumption that slowing growth would also lead to lower inflation in due course. Inflation did indeed peak later in the year, and then dipped in line with the slower rate of growth. At that time, the size of the correction in the housing market became increasingly clear, which fuelled recession fears for the US economy. Those concerns have since been put to one side as economic growth looks to have picked up, although only recently.

### Europe

Despite the strong euro and the slowdown of the US economy, the European economy continued the strong growth of 2006 into the first half of 2007. The ongoing strength of the global economy has provided a significant external boost, but domestic demand has contributed as well. Strong earnings growth and favourable borrowing terms gave businesses a lot of confidence and paved the way for a clear-cut recovery in investment spending. In addition, household spending (the weak link of the European economy in recent years) started to increase too. Growth in incomes remains fairly slow, but is gradually improving. Together with greater consumer confidence, this had been reflected in mounting household spending. Nicely positioned between the faltering US economy and the improving situation on the European mainland, the UK is enjoying decent growth. During the past 12 months, economic growth was more or less stable at just below 3%.

### Japan

After putting in a strong performance in 2005, the Japanese economy started to slacken off in 2006. Household spending in particular was disappointing, which can be partially attributed to the limited growth in incomes. However, in the last quarter of 2006 economic growth was significantly higher than expected at an annualised rate of 5.4% and in the first quarter of 2007 growth remained high (+3.3%). From May till December 2006, there was a return to positive inflation. That was enough for the central bank to abandon its overly flexible monetary policy and it hiked up interest rates twice – in July 2006 and again in February 2007 – taking the key rate from 0% to 0.5%. Little wonder then that New Zealand's interest rates look so attractive to Japanese fund managers.

### Asia

Economic activity in the Asian region over the past year has been driven by the powerhouse economies of China and India. China has averaged GDP growth of around 10.5% pa while Indian growth has been around 9% pa. Both countries are enjoying strong growth in consumption and investment while China has also experienced rapid growth in exports. Inflation has risen in both countries which has prompted both central banks to tighten monetary policy several times. Asia can now take some pride in having sound macroeconomic fundamentals, a far cry from days of old.

Indian sharemarkets performed in line with their regional peers. The authorities' decision to make it easier for foreign funds to invest locally added to the strong performance over the last six months. Hong Kong's Hang Seng Index has appreciated by almost 40% in the last year as investors continued to build exposure to the fast growing Chinese economy. In Taiwan political uncertainty together with a weak domestic economy weighed on the sharemarket during the second half of last year.

### Commodities

Our commodities funds have been one of the strongest performing asset classes in the Liontamer stable and the last 12 months have seen continued gains across most markets. Until only recently, Nickel and Lead were the star performers. Lead moved from US\$1,051 a tonne to over US\$2,300 a tonne, while Nickel increased from US\$23,000 a tonne to over US\$50,000 a tonne before dropping back down to below US\$37,000 per tonne (at the time of writing in late June). This sharp fall in Nickel prices is reflected in fund valuations as at 30 June 2007. The year to June has seen Oil prices roughly back to where they started at (US\$67 a barrel) and Copper prices falling. Both Zinc and Aluminium are fairly flat year-on-year.

### Money Funds

The Money funds invest in the Deutsche Bank Dynamic Carry Index. This is an investment strategy where the asset class is made up of various major currencies. It buys the currencies of countries where interest rates are high (currently Britain, Australia and New Zealand) and sells the currencies of low interest rate countries (currently Japan, Switzerland and Sweden). The strategy has had disappointing performance since the outset and the income payments have not been possible for those holding income units.

In the last 12 months the index has begun to improve and hold to maturity values now range between \$1.12 and \$1.15 across the funds. As performance improves, exposure increases, but it has been hampered by negative results in previous years driving down the amount invested (the 'reference amount'). Small improvements in this fund during the last year have made for a welcome turning point. Regular reports on the strategy are available from Deutsche Bank on our website [www.liontamer.com](http://www.liontamer.com)



## TWICE THE GAIN – LIMIT THE PAIN

Our latest fund, GLOBAL Series 3, provides a choice of two different unit types; both have an exposure to international sharemarkets, plus either full or partial capital protection at maturity. Both unit types also have the potential to really accelerate your returns – by 1.5 times using standard booster units and by double using super-booster units.

**OFFER NOW EXTENDED  
TO 27 JULY 2007!  
TALK TO YOUR FINANCIAL  
ADVISER TODAY**

Name		GLOBAL Series 3		
Unit types	booster units	super-booster units		
Capital protection	100% capital protection*	90% capital protection*		
Growth	150% of the rise the Global Index	200% of the rise in the Global Index		
Term	5 years (+/- 6 months)#	4 years (+/- 6 months)#		
Minimum investment	\$5,000			
Currency	NZ dollars			
Closing date	27 July 2007			
Global Index	Japan 25% US 25%	Europe 25% UK 15%	Switzerland 5% Hong Kong 5%	

See your financial adviser for an Investment Statement

## COMBI SERIES 1 MATURITY

Our first commodities fund, COMBI Series 1, is due to mature on 1 October 2007. Investors in this fund have seen some phenomenal gains in the basket of commodities that the fund has tracked. Based on the hold-to-maturity value, as at the end of June, COMBI Series 1 has gained over 200% since its inception in April 2004.

We are pleased to be able to announce that investors in COMBI Series 1 will have the opportunity to reinvest all or part of their investment, into a new fund.

Details will be sent to all current investors as soon as they are available. Once you receive this important document, read it carefully and talk to your financial adviser about whether rolling your investment into the new commodities fund is right for you.

And for those investors who missed out on our range of commodity funds, including COMBI Series 1, talk to your financial adviser now about receiving an investment statement once the new fund becomes available.

## NEW LIONTAMERS

Since our last newsletter in 2006, Liontamer has grown and added three new tamers. Sean Butler joined the team back in January as our Marketing Manager, bringing with him over ten years experience in New Zealand financial markets, most recently as Marketing Manager for BT Funds Management (the investment arm of Westpac). Mike Perry has recently joined us from the UK, where he worked for the large retail bank, Abbey National. Mike's role as the Head of Structuring and Finance will utilise his extensive experience in European markets to help us create even more new and innovative product structures for investors.

At the start of the year Chris Smith joined Matt Mimms at The Investment Store. The Investment Store works closely with us to distribute our products through financial advisers and brokers. Chris has extensive experience in the investment and financial planning industry in both New Zealand and the UK.

*From left: Chris Smith (The Investment Store), Laetitia Peterson (Managing Director), Janine Starks (Investment Director), Matthew Mimms (The Investment Store), Vanja Thomas (Head of Compliance and Operations), Sean Butler (Marketing Manager), Mike Perry (Head of Structuring and Finance), Lion (Mascot and Guard Duties).*



Full details of GLOBAL Series 3 and all other Liontamer funds are contained in the relevant Investment Statement and registered Prospectus, provided by Liontamer Investment Management Pty Ltd (ABN 23 104 174 325). #Liontamer has the discretion to reduce or increase the maturity date by up to six months, depending on market movements during the offer period. \*Capital protection at maturity, means you will receive back 100% for booster units, or 90% for super-booster units, of the combined amount invested and early bird interest (earned during the offer period) less any entry fee charged (up to 3%). There is a more detailed description of capital protection in the Investment Statement and the limited circumstances when capital protection may not be available.