

The Fledgling Fund



*Giving flight to your
children's future*

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The information in this section is required under the Securities Act 1978.

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing An Investment

When deciding to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

Choosing an Investment Adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within five working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes. This is an Investment Statement for the purposes of the Securities Act 1978.

Dear Investor

Many parents try to help their children to achieve financial independence by encouraging good savings habits. Often though, learning to save small amounts of money in order to buy big items in the future, is the extent of the financial guidance many young people receive.

Other investors have a reasonable understanding of investing, but can't get onto the first rung of the investment ladder because they feel they haven't got enough money for a first investment.

The Fledgling Fund has both investment and educational objectives. It aims to grow investors' capital by investing in a hand-picked portfolio of quality New Zealand businesses, and at the same time, teach young and first-time investors about personal finance and financial markets. To make investing accessible, the Fledgling Fund accepts minimum investments of just \$50 per month, or \$500 as a one-off investment, allowing small investors to kick start their investment futures.

This Fund may be a good choice if you want to start a savings plan, have only a limited amount to invest, or if you would like to learn as you earn through our quarterly investment newsletters.

Because the Fisher Funds Fledgling Fund invests solely in shares, it will rise and fall in value. We have, however, established a long track record of providing consistently good returns for our investors, and believe that our time-tested investment approach will enable us to continue to perform well in the future.

We appreciate your interest in Fisher Funds and your desire to invest wisely. If you have any questions, please contact us at 0508 FISHER (0508 347 437), visit our website at www.fisherfunds.co.nz or ask your financial adviser to contact us.



Carmel Fisher
Managing Director



Investment Philosophy

We like small, growing companies

The Fledgling Fund invests in the shares of smaller, growing New Zealand companies that we believe will become big companies. Smaller companies tend to be overlooked and under-researched by other investors, giving us the opportunity to find some real gems. We also prefer smaller companies because they are usually easier to understand compared with large multi-faceted corporations.

While value is important, growth is absolutely critical

If we had the choice between investing in a cheap company (whose assets were worth more than the share price) and a company that was not necessarily cheap but that could double its profits in three years, we would choose the latter. We prefer companies that can consistently grow their profits and thereby increase the value of the business over time.

We strive to know more about our portfolio companies than anyone else

We are close to all our portfolio companies, visit them regularly and get to know the management teams well. We never buy a stock without first meeting management and we pride ourselves on the relationships that we have established with the management teams of many successful New Zealand businesses. We recognise the significance of a company's board in determining strategy and direction, so we meet at least annually with the directors of each company in which we invest.

Our favourite company will be our largest investment

We are stock pickers who invest in companies on the basis of their individual merits. The company that we like the most will have the largest position in our portfolio. Our portfolios are concentrated, with between 10 and 20 stocks at any one time. We do not want so many portfolio holdings as to dilute our efforts and knowledge, but we want enough to reduce the risk if something goes wrong. We believe that there will always be companies that will do well, irrespective of the economic or market environment. We are constantly searching for such businesses.



Making share market investing
achievable for the
young or first-time investor

Our Investment Approach

What sorts of company will you likely find in the Fledgling Fund?

We invest in the shares of New Zealand companies whose earnings are likely to grow at a faster pace than the economy. These tend to be successful companies that offer a unique product or service, have a dominant market position or brand, or simply operate in a fast, growing sector.

We do not buy shares in new and unproven companies, nor do we look for bargain stocks. We look for quality and are prepared to pay for it. You will have heard of quite a few of our portfolio companies – these are not ‘fly-by-nighters’.

Once we buy shares in a company, we generally hold them for the long term unless the fundamental reason for buying no longer exists. After all, if you find a great business, why would you not want to hold on to that business forever.

We have the ability to invest in both listed and unlisted companies, however you can generally expect that 90% of the Fund will be invested in companies listed on the New Zealand Stock Exchange. While we like the idea of buying an unlisted company at a relatively low price, we are mindful that the listed environment gives us some protection and ensures that we get plenty of information about each company.

The Fund will favour smaller, growing companies, however if a company grows to the extent that it becomes a large company, the Fund will maintain its holding. If we find a company that otherwise meets all our criteria, we will not exclude it from the portfolio based on its size.

The ideal company for the Fledgling Fund will be one that is expected to grow its profits and is in a position to distribute some of those profits to shareholders as an annual dividend. Although capital growth is our primary aim, we also want our investors to receive an annual dividend – sort of a reward for hanging in there each year! We do not actively seek companies on the basis of dividend yield and our portfolio companies may or may not pay regular dividends. We will not exclude a company because it does not pay a dividend, some of our companies may be re-investing their profits for future growth rather than paying them out to shareholders. And we like growth.

We manage concentrated portfolios, rather than having numerous small holdings which don't add much to the overall portfolio return. Our favourite companies might individually comprise 14%-20% of the portfolio, whereas new companies that we are still getting to know might individually comprise 2%-3% of the portfolio.

For details of our current portfolio companies please refer to our latest *From the Undergrowth* newsletter available on our website www.fisherfunds.co.nz.

pleasant, agreeable,
delightful, satisfying
enjoyable

Matters required to be disclosed by the Securities Act 1978

What sort of investment is this?

The Fisher Funds Fledgling Fund is a unit trust established under the Unit Trusts Act 1960. A unit trust allows individuals to pool their money together rather than investing alone.

The total pool of assets in the unit trust is divided into units, which are owned by investors in proportion to the amount of money they have contributed.

The assets of a unit trust are managed by a professional investment manager (Fisher Funds Management Limited) and are held by a trustee (Trustees Executors Limited) which is independent of the manager, on behalf of the investors.

The value of the units is not fixed - it varies depending on the value of the unit trust's assets. Movements in financial markets will affect the price of the units in the Fund, but not the number of units you hold. The value of your units can fall if the value of the unit trust's assets falls.

Your investment is not locked in for any period of time, and you are able to add more to your investment or withdraw all or part of your investment as you wish.

It is intended that the Fund will become a Portfolio Investment Entity (PIE) on 1 October 2007. For more information on the PIE regime see page 7.

The unit price of the Fisher Funds Fledgling Fund is calculated by calculating the market value of the investments, adding any income that is due to be received and deducting all liabilities including tax (although after the Fund becomes a PIE, tax will not be taken into account in calculating the unit price). Investors will receive the next available unit price on acceptance of a valid application or withdrawal request.

You can find out what the daily unit price is by phoning us, visiting our website www.fisherfunds.co.nz, monitoring the weekly newspapers, checking your monthly newsletter or asking your financial adviser.

The value of your investment can be determined by multiplying the current unit price by the number of units you own.

Who is involved in providing it for me?

The name of the unit trust:

The unit trust offered in this Investment Statement is the Fisher Funds Fledgling Fund.

The Fisher Funds Fledgling Fund was established in accordance with a Trust Deed dated 28th July 1998 (as amended) between the Manager and Trustees Executors Limited as Trustee. The Trust Deed was amended on 18 July 2007.

The organisations behind the trusts are:

- Fisher Funds Management Limited is the Manager and provides the investment expertise. We also maintain the register of all Unit Holders.
- Trustees Executors Limited is the independent Trustee and also provides registry, administration, accounting and custodial services.

The Manager

Our registered office is:

Fisher Funds Management Limited
Level 2, 95 Hurstmere Road
Takapuna
Auckland 0622

All investment applications, withdrawals and correspondence should be forwarded to:

Fisher Funds Management Limited
c/- Trustees Executors Limited
PO Box 409
Wellington 6143

The Directors of Fisher Funds Management Limited are:

Carmel Fisher BCA, CFIP
Director, Kingfish Limited, Barramundi Limited.

Hugh Fisher

Warren Couillault BMS (Hons), CFIP

Frank Jasper

The Trustee

The Trustee of the Fund is Trustees Executors Limited (the 'Trustee').

The Trustee's address is:

Level 12
45 Queen Street
P O Box 4197
Auckland 1140

Important Information

Activities of the Manager

The principal activity currently undertaken by the Manager is managing share portfolios for a variety of investors through a range of investment products and vehicles.

Fisher Funds Management Limited, an investment management company, was established in 1998 by Carmel Fisher. Carmel, along with Warren Couillault, Frank Jasper and Terry Tolich provide the Manager with its investment expertise. Other activities of the Manager include the management of the investor register for the Fund, and communicating with investors.

How much do I pay?

You can invest in our Fund by buying units. Unless Fisher Funds agrees otherwise, the minimum investment amounts are as follows:

The minimum initial investment amount is \$500

The minimum lump sum that you can add to your initial investment is \$100

The minimum investment amount for regular contributions is \$50

You are not obliged to make additional investments after your initial investment. The number of units that you receive for your investment will depend on the issue price for the units at the time of issue. The issue price is determined by dividing the current value of the Fund by the number of units on issue, and adding any entry fee charged by the Manager (see 'What are the charges?' below). The issue price will normally be calculated as at the end of each business day.

Investments can be made by completing the Application Form that accompanies this Investment Statement and posting it to Fisher Funds Management Limited, c/- Trustees Executors Limited, PO Box 409, Wellington 6143, along with:

1. Your cheque (crossed 'Account Payee Only' and made payable to 'Fisher Funds Management Limited Trust Account') and/or
2. The Direct Debit Authority that accompanies this Investment Statement for regular contributions.

You may also direct credit your investment to our account. If you wish to do this you should contact us on 0508 FISHER (0508 347 437).

What are the charges?

Fees payable by the Investor

If you invest through an adviser, your adviser may elect to charge up to 4% of the amount you invest. Fisher Funds will deduct this amount from your investment and pay it to the adviser. Should you invest directly with Fisher Funds, no entry fee will be charged.

While the Manager has the ability to charge a direct entry fee or an exit fee, the current policy is that neither fee will be charged by the Manager. Investors would be notified in advance if the Manager intended to introduce either of these fees.

Fees payable by the Fund

The Manager is entitled to be paid a management fee based on the gross asset value of the Fund, for the investment services that it provides to the Fund. This management fee is calculated weekly and paid to the Manager each month. The Fisher Funds Fledgling Fund currently pays an annual management fee of 1% per annum plus GST.

Trustees Executors Limited, the Trustee is entitled to receive a trustee fee of up to 0.1% per annum of the gross asset value of the Fund. The Trustee is also entitled to be reimbursed for costs properly incurred by it in discharging its obligations as a Trustee under the terms of the Trust Deed. In addition, Trustees Executors Limited are entitled to a fee of up to 0.15% per annum of the gross asset value of the Fund (plus out of pocket expenses for items such as postage) for providing registry services to the Fund.

The Manager and Trustee are also entitled to receive a fee if the Fund terminates, based on the time spent on matters relating to the termination. If the Manager is removed from office by resolution of the Unit Holders it is entitled to compensation equal to the total fees received by the Manager in the two years preceding the removal.

Expenses payable by the Fund

All expenses incurred by the Manager or the Trustee in connection with the operation of the Fund, and the acquisition or dealing with investments, will be paid from the assets of the Fund. These include the cost of the independent audit of the Fund's Financial statements and specialist tax advice for the Fund.

Important Information

Management Expense Ratio (MER)

A commonly used way for people to compare the expenses of different unit trusts is to use what is called the Management Expense Ratio (MER). The MER is not a separate fee, but a means of showing all fees (excluding performance fees) and expenses as a percentage of average fund size.

The table below shows the post tax MER for each of the last 5 years.

Year	Management Expense Ratio
2007	1.70%
2006	1.50%
2005	3.22%*
2004	0.75%
2003	0.84%

*The 2005 MER is unusually high as a result of significant changes made to the fund to change its investment strategy.

The MER for the current year or any future period may differ from those in the table above and the MER is not fixed or guaranteed.

The post tax MER of the Fund shows the net percentage cost to the Fund for each year. It is calculated by:

1. adding together the expenses for the year
2. allowing for a tax deduction (at the funds tax rate of 33%) on tax deductible expenses to give a net expense to the Fund; and
3. then dividing the net expense by the daily average Fund size, multiplied by 100 to give a percentage.

The MER excludes any entry fees, though none are charged on the Fund.

What returns will I get?

The return for investors is reflected in the unit price of the Fisher Funds Fledgling Fund. Investors should be aware that no rate of return has been promised or guaranteed for the Fund, and that the unit price will rise and fall as the value of the Fund's underlying investments rise and fall and when a distribution is made from the Fund the unit price will fall.

The return on your investment will be the aggregate of any growth in the value of your units (which can be calculated by comparing the current unit price with the price you paid for the units) and any distributions made by the Fund. Your return will also be impacted by the tax payable on the Income of the Fund (either by the Fund on your behalf, or by you directly after 1 October 2007 in the PIE regime) and the expenses deducted from the Fund.

Growth in the Value of your Units

The key factor that will determine the value of your units is the value of the investments made by the Manager. The Fund invests predominantly in company shares, and the value of these investments will depend on the performance of these companies and on the performance of the share market generally.

Any growth in the value of your units can be realised by you having your units redeemed by the Trustee in its capacity as Trustee of the Trust, or repurchased by the Manager. The Trustee in its capacity as Trustee of the Trust and the Manager are the persons legally liable to pay the redemption amount or repurchase amount for your units. The Manager may, in certain circumstances, suspend the redemption of units (see 'How do I cash in my investment?' on page 25).

The nature of this investment is such that no quantitative amount of return on the units can be guaranteed. Investors should be aware that the unit price may fluctuate upwards and downwards as the value of the underlying investments changes.

Taxation

The following is a general statement of current New Zealand income tax law as at the date of this Investment Statement as it relates to investors who are New Zealand resident. Different tax rules may apply in respect of non-resident investors.

The Manager accepts no responsibility for your taxation liabilities. You are advised to consult your own independent tax adviser as to your taxation position in relation to the Fund or to your holding, sale or redemption of units in the Fund.

Taxation under current law

The tax treatment of the Fund as at the date of this Investment Statement is as follows.

Income tax is paid by the Trustee in respect of net investment income (ie dividends, interest, profits from share sales, less expenses and losses on share sales) at the rate of 33%, with a credit for any imputation credits attached to dividends.

Your tax treatment in respect of distributions and redemptions is described in the sections of this Investment Statement dealing with them.

The tax treatment of profits or losses realised by you on the disposal of units depends upon your particular tax position. Generally, you will only be subject to tax on any profits from the disposal of units if:

- (a) you acquired the units for the dominant purpose of sale or other disposal or as part of a profit making scheme; or
- (b) you carry on a business involving dealing in the units or other similar property.

Otherwise, any profits from the disposal of units will generally not be taxable to you.

Taxation under the Portfolio Investment Entity Tax Regime (effective 1 October 2007)

The Government has recently amended the taxation of investment entities by introducing a new concessionary portfolio investment entity (PIE) tax regime. Qualifying entities may elect to become PIEs from 1 October 2007 onwards.

The Fund has registered to become a PIE. Accordingly, the tax treatment of the Fund will be different to that described above from 1 October 2007. The following description explains how the regime will operate. The net effect of the regime is expected to be either positive or neutral for you.

Once the Fund becomes a PIE, gains and losses from the sale of shares in New Zealand resident companies and from the sale of shares in Australian resident companies (or units in Australian resident unit trusts which are taxed in Australia as companies) listed on an approved ASX Index will no longer be taxable, as they will be excluded from the Fund's taxable income by a specific statutory provision.

The Fund will pay tax at 33% (reducing to 30% from 1 April 2008) on your share of its net investment income (ie excluding gains and losses from shares as set out above) unless you provide the relevant details to the Manager and you are:

- (a) a New Zealand resident natural person who has, in either of the two immediately preceding tax years, both:
 - (i) taxable income of \$38,000 or less; and
 - (ii) taxable income plus net income from PIEs of \$60,000 or less.

In such a case you are a 19.5% investor; and the Fund will pay tax on income attributable to you at a rate of 19.5%; or

- (b) a New Zealand resident company, unit trust, charitable entity, PIE, superannuation fund or other electing trust. In that case you are a 0% investor; and the Fund will not pay any tax on income attributable to you.

Important Information

The Tax Act requires the Fund to adjust your interest to reflect the tax payable by the Fund on the income attributable to you. The Fund expects to do this by periodically cancelling units held by you if you are not a 0% investor. The value of the units cancelled will be equal to the tax payable by the Fund on the income attributable to you. If the tax liability on that income is less than the associated tax credits, or if the amount attributable to you is a tax loss rather than income, the Fund may receive a tax rebate. In that case it will either issue additional units to you or pay the amount of the rebate to you.

If you are a 0% investor, none of your units will be cancelled to pay tax, but you must include in your own tax return the income (or loss) and credits attributable to you under the Tax Act from your units in the Fund, as advised to you by the Fund after the end of each year, and pay tax accordingly. These amounts must be returned even if you have not advised the Fund that you are a 0% investor (unless you are holding the units as a trustee of a trust for other 0% investors). The Fund does not expect to make any distributions to fund tax payments.

Once the Fund is a PIE, distributions and amounts paid on the redemption of units will not be subject to any tax (except that if you are not a 0% investor, the Manager may cancel units to meet the Fund's tax liability as described above, periodically or at the time of a redemption), and will not have any imputation credits attached to them.

You will not have any personal tax liability in respect of your investment in the Fund and you will not have to return any income from the Fund in your tax return unless you are a 0% investor. All investors will need to provide their IRD number and advise the Manager of the correct PIE tax rate applying to them each tax year.

The tax treatment of the sale of units by an investor will be the same as it was before the Fund becomes a PIE.

Distributions

The Manager has discretion as to whether to distribute any net income of the Fund.

The Fund seeks to pay a distribution at least annually. Income that is not distributed is invested as part of the assets of the Fund but may also be used to make later distributions to investors.

Any distributions that are made will be made in proportion to the number of units held by you at the relevant time. When a distribution is made, the price of the units will reduce by the distribution per unit. Imputation credits may be attached to distributions at the Manager's discretion prior to the date the Fund becomes a PIE. If the Manager decides to make a distribution, the person legally liable to pay the distribution is the Manager.

Withholding tax will be deducted by the Fund from the amount of the distribution to the extent it is not fully imputed, unless you hold a certificate of exemption. You will be taxed on any dividends you receive for the Fund prior to the date it becomes a PIE, with a tax credit allowed for any attached imputation credits and resident withholding tax deducted. After the Fund becomes a PIE however, you will not be subject to tax on any dividends and no imputation credits will be attached to them.

What are my risks?

There is some degree of risk involved with all investments. The potential return on an investment is generally related to the risk of the investment.

Investment risk encompasses the chance of losing some or all of your investment, and the possibility that investment returns become negative.

The main risk is that you will not recover the full amount invested or not receive any returns on your investment. This may occur where the value of the investments made by the Fund falls by such an amount that the value of your units is less than you paid for them.

Some of the events that can affect the returns and cause the value of your investment to go up and down are:

- Economic, political or market conditions in New Zealand and internationally that could impact on share prices
- Specific events affecting the share price of a particular company that the Fund invests in, which could cause fluctuations in the share price
- Loss of PIE status from 1 October 2007 for failing to comply with the requirements of the Tax Act.
- Changes in taxation rates or tax rules in New Zealand
- The investment style and strategy of Fisher Funds may result in your returns being different from any share market index and from competing investments.

You will not be obliged to pay any money in addition to the amount that you invested.

Consequences of Insolvency

If the Fund was insolvent at the time it made a payment to you, you may have to repay that sum to a liquidator of the Fund, if the Fund was subsequently wound up. In the event of a winding up of the Fund the assets of the Fund will be used to pay any creditors and any balance will be distributed to Unit Holders in proportion to their holding of units at the time of distribution.

Can the investment be altered?

You can add to your initial investment and withdraw from your investment at any time, provided minimum investment amounts are met (as outlined on page 5). You can withdraw amounts from your investment by requesting that all or some of your units be repurchased or redeemed (see 'How do I cash in my investment?' on this page).

The Manager is entitled to charge an entry fee or exit fee on additional investments and withdrawals (see 'What are the charges?' on page 5).

The Manager and the Trustee may amend the Trust Deed:

- With the approval of an Extraordinary Resolution of Unit Holders; or
- Without such approval in certain circumstances (such as, where the Unit Holders' interests are not, in the Trustee's opinion, materially and adversely prejudiced).

Any terms of issue of the units that are set out in the current prospectus but not prescribed in the Trust Deed may be changed when a new prospectus is issued, subject to reserved rights of existing Unit Holders and/or a prescribed procedure with notices of objection by Unit Holders holding not less than 10% of the units on issue.

Important Information

How do I cash in my investment?

You may request repurchase or redemption of all or any of your units at any time. Unless the Manager agrees otherwise, the request must:

- Be in writing;
- Be sent to the Manager at the address specified below:
Fisher Funds Management Limited,
c/- Trustees Executors Limited,
PO Box 409,
Wellington 6143;
- Detail the amount you wish to withdraw, your Unit Holder Number, and the bank account to pay the proceeds to;
- Be signed by the Unit Holder(s).

Your repurchase or redemption requests will be processed at the unit price calculated by the Manager according to the formula set out in the Trust Deed.

Broadly speaking, the unit price is determined by dividing the current value of the Fund (assets minus liabilities) by the number of units on issue at the date of calculating the unit price. The unit price will normally be calculated as at 5pm on any business day. Any undistributed amount held in respect of a unit that is to be redeemed or repurchased in the Fund's distribution account will be paid to the Unit Holder upon the repurchase or redemption of their units.

Payment to you will usually be made within ten business days after the repurchase or redemption request is received from you.

The Manager may:

- Decline to act on a request for less than the Minimum Transaction Number (units having a value of \$500) unless it relates to all of your units;
- If the number of units remaining would be less than the Minimum Holding (units having a value of \$500) decline to act on the request or require repurchase or redemption of all remaining units.

The Manager may in certain circumstances suspend redemption of units if the Manager believes it is not practicable or desirable or would be prejudicial to the interests of the Unit Holders for units to be redeemed. The suspension may continue until:

- It is cancelled by the Manager; or

- One year from the date of the suspension notice, subject to extension by Extraordinary Resolution of the Unit Holders, whichever is the sooner. Our current policy is that the Manager will not suspend redemption of any units in the Fund for more than three months.

The Fund may also refuse to effect a redemption or repurchase if this would threaten the Fund's eligibility for PIE status.

The Fund will terminate upon the earliest of:

- The expiry of a period of 80 years from the commencement date of the Fund;
- The day falling six months after the day on which the Manager gives notice to the Trustee requesting that the Fund be wound up;
- The day on which the Fund is terminated pursuant to the Trust Deed, statute or general law.

Upon winding up of the Fund, the Trustee will realise all of the Fund's assets and, after providing for claims and liabilities (including tax and fees), will distribute the balance to Unit Holders in proportion to their holding of units at the time of distribution.

The Fund may, with the Trustee's approval, be terminated early or the units may be switched into a new Fund on terms which are similar in all material respects to the terms of the existing Fund if the Manager considers it is desirable to do so for taxation purposes.

You are entitled to sell your units to another person subject to the Manager's right of first refusal (at the next available unit price). To effect a sale you must deliver to the Manager an instrument of transfer in a form approved by the Manager and signed by both you and the transferee.

The Manager may refuse to register a transfer of units where:

- The Trust Deed or any statutory provisions have not been complied with;
- Registration of the transfer would result in the transferor or the transferee having less than the Minimum Holding of units;

- The transfer is of less than the Minimum Transaction Number (units having a value of \$1000);
- The Manager has not received from the transferor information concerning the transferee usually required to subscribe for units;
- In the Manager's opinion there is currently no established market for the sale of units;
- The transfer would threaten the Fund's eligibility for PIE status.

Units are offered in the Fund on the basis that their redemption is subject to section CD 15(3) of the Tax Act (known as the "slice rule"). The effect of adopting the "slice rule" is that the proceeds of redemption of a unit will be treated as a dividend prior to the Fund becoming a PIE to the extent that they exceed the available subscribed capital of the Fund per Unit. After the Fund becomes a PIE however, the slice rule will no longer be relevant, as no part of the proceeds of redemption of a unit will be assessable.

Who do I contact with enquiries about my investment?

If you have any questions about your investment in the Fund please contact:

Fisher Funds Management Limited
P O Box 33 549
Takapuna
Auckland 0740
Freephone 0508 FISHER (0508 347 437)
Telephone 09 445 3377
Facsimile 09 489 7139
Email enquiries@fisherfunds.co.nz
Website www.fisherfunds.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

If you have a complaint about your investment in the Fund please contact:

Fisher Funds Management Limited
Level 2, 95 Hurstmere Road, Takapuna
Freephone 0508 FISHER (0508 347 437)
Telephone 09 445 3377
Facsimile 09 489 7139
Email enquiries@fisherfunds.co.nz
Website www.fisherfunds.co.nz

If we are unable to resolve your complaint you may contact the Trustee at:

Trustees Executors Limited
Level 12, 45 Queen St
PO Box 4197, Auckland
Telephone 09 308 7100

Complaints about your investment may also be made to:

The Insurance and Savings Ombudsman
Level 7, BDO House
99-105 Customhouse Quay
PO Box 10845, Wellington
Telephone 04 499 7612

Important Information

What other information can I obtain about the investment?

Prospectus and Financial Statements

Other information about the units and the Fund is contained or referred to in the current prospectus. A copy of the prospectus (and of any certificate registered under the Securities Act 1978 to extend the period during which units may be offered under such prospectus) is available on request from the Manager. A copy of the prospectus (and any such certificate) will be provided free of charge.

Further information about the Fund will be contained in the financial statements. Financial statements will be prepared for the Fund as at the end of each financial year. Copies of the financial statements (once they are available) may be obtained on request from the Manager free of charge.

The Manager will send to each person who is a Unit Holder as at the end of a financial year:

- a copy of the financial statements for that financial year;
- a copy of the auditor's report on those statements;
- a summary of any amendments made to the Trust Deed since the previous balance date of the Fund.

Other Information

You may also request the Manager to send to you:

- a copy of the Trust Deed, for which a copying fee (currently 20 cents per page) will be charged;
- a comparison of actual returns made by the Fund against any prospective returns referred to in any prospectus or advertisement relating to the Fund.

Registered Information

The following documents may be viewed (by searching under Fisher Funds Management Limited) on the Companies Office website at www.companies.govt.nz. Copies of these documents may also be obtained on payment of a fee by telephoning the Companies Office on 0508 266 726.

- the latest registered prospectus;
- the Trust Deed and any amendments to the Trust Deed;
- the latest annual financial statements for the Fund.

Register of Unit Holders

The Register of Unit Holders is open for inspection during normal business hours at the registered office of the Manager specified on page 12.

If you wish to inspect the register please telephone the Manager on freephone 0508 FISHER (0508 347 437) or 09 445 3377 to arrange a suitable time. You may also request a copy of the register. A copying fee (currently 20 cents per page) will be charged.

Requests for Information

All requests for the information referred to above should be made in writing and sent to the Manager at the address specified on page 12.

Glossary

Assets - things of value such as: cash, securities, accounts receivables, inventory.

Capital Gain - the profits on the sale of a security or asset when it is sold for more than was paid.

A **Capital Note** is a debt security that pays a fixed rate of interest for a specified time period. At maturity the investor is offered the option of investing for a further period or converting to ordinary shares, usually at a discount to the prevailing market price.

Diversification is the practice of spreading investment across a range of companies, and business types to reduce risk. It's the practice of ensuring you "don't have all your eggs in one basket".

Dividends are part of the profit of a company that is paid to the people who own shares in it.

Dividend yield - the rate of investment return received by way of dividends. The yield is calculated by dividing the annual dividend (cents per share) by the market price of the share (cents).

Growth Companies are businesses that are able to consistently grow their earnings and generally pay lower dividends.

High-Yielding Security is one that pays a high income return, such as dividends or interest, relative to other investments.

Imputation Credit - Tax credits associated with New Zealand dividends. Imputation credits are passed on by companies or unit trusts that have already paid tax on earnings to avoid earnings being taxed both in the company and again when those earnings are paid to investors.

Liquidity - The ability to easily trade shares, even in large parcels, without significantly influencing the price of the shares. In a "liquid market" there are many buyers and sellers willing to trade large volumes.

Listed Companies are those companies that are listed on a stock exchange such as the NZX. The stock exchange provides a market for investors to buy and sell shares quickly and easily in listed companies. It can be more difficult to buy and sell shares in unlisted companies.

Managed Fund is a term used to describe pooled investment vehicles (such as unit trusts) that are professionally managed for investors.

A **Portfolio** is a collection of investments all owned by the same individual or organisation.

A **Portfolio Investment Entity** or **PIE** means a portfolio investment entity as defined in section OBI of the Tax Act. The Fund has been registered as a PIE with the earliest possible start date of 1 October 2007.

The **Price Earnings Ratio** (PE) is a ratio showing the relationship between a company's share price and profits. It is calculated by dividing the market price by the earnings per share – future or "prospective" earnings are of most interest. Company PEs can be compared to each other and the market average. In New Zealand the long term average PE is around 12:1. That means the share price is 12 times the annual earnings. A low relative PE signals a general expectation of low profit growth in that company.

Redemption (or **Direct Withdrawal**) – a method of withdrawing funds from their investment whereby investors sell units directly back to the Unit Trust (Fund). For Fledgling Fund unit holders selecting this method of withdrawal we will use the "slice rule" method prior to the date the Fund becomes a PIE. Using this method you receive a payment that is made up of a slice of capital and a slice of income. The slice of income is deemed to be a dividend payment and is therefore taxable however since tax has already been paid at the rate of 33% by the Fund we pass tax credits onto you to offset your tax liability in the form of imputation credits. After the Fund becomes a PIE however, the slice rule will no longer be relevant as none of the withdrawal proceeds will be taxable to you. Also, no imputation credits will be attached in respect of any redemption after the date the Fund becomes a PIE on 1 October 2007.

Repurchase (or **Manager Buy Back**) - term used when a fund manager buys units back from an investor. Investors in the Fund who have invested for the long term and who are not traders should not have to pay tax on any gain realised on the sale of their units.

Speculation is taking risks without strong evidence to support the decision, especially with respect to trying to predict the future, in the hopes of making quick, large gains.

Tax Act means the Income Tax Act 2004.

A **Unit Holder** is someone who owns units in a unit trust.

Unit Prices for unit trusts are calculated by adding the market value of the investments to any other net assets (assets less liabilities) and dividing by the number of units on issue.

A **Unit Trust** is a trust that pools together many investors' money in order to make investments. Each investor has a share of the pool of money represented by the number of units they own in the trust.

Valuation is the process of determining the value of an asset or company. There are many techniques for valuation, and it is often partially objective and partially subjective.

How to Invest

How to invest

To ensure correct interpretation of your details, please:

- Print clearly using CAPITAL LETTERS.
- If an item is not applicable, please leave the designated area unmarked.
- If you make a mistake, simply draw a line through the mistake and initial the change. Do not use correction fluid. Write the correct details above the designated area.
- If there is not enough room, please use any available space in the margins.

Application forms

- Please complete the Application Form contained in this Investment Statement.
- Joint applications must be signed by all investors.
- Company applications must be signed by at least one director.
- Trust applications must be signed by all trustees unless evidence is provided showing alternative signing authorities.
- If signed under Power of Attorney, the attorney must certify that he/she has not received notice of revocation of the power.

Determining your prescribed investor rate

Your prescribed investor rate will be 33% (reducing to 30% from 1 April 2008) unless you provide the relevant details to the Manager (as indicated on the application form) and you are:

- (a) a New Zealand resident natural person who has, in either of the two immediately preceding tax years, both:
 - (i) taxable income of \$38,000 or less; and
 - (ii) taxable income plus net income from PIEs of \$60,000 or less.

In such a case your prescribed investor rate is 19.5%; or

- (b) a New Zealand resident company, unit trust, charitable entity, PIE, superannuation fund. In that case your prescribed investor rate is 0%.

Trusts (other than unit trusts) can elect whether to have a 33% prescribed investor rate (reducing to 30% from 1 April 2008) or a 0% prescribed investor rate by ticking the appropriate box on the application form.

Cheques

Please make your cheque payable to 'Fisher Funds Management Limited Trust Account' and cross it 'Account Payee Only'.

Regular investments

To have your regular investment deducted automatically from your bank account, please complete the Direct Debit Authority contained in this Investment Statement and return it to Fisher Funds together with your Application Form.

Investor identification

Under the Financial Transactions Reporting Act 1996, verification of identity is required where payment is by any means other than a personal cheque.

Personal investors

Acceptable forms of identification for personal investors include a photocopy of two of the following:

- New Zealand Passport
- New Zealand Drivers licence
- International Drivers licence
- Document evidencing a bank account in your name (eg deposit slip)
- Credit card with photo
- Firearms licence
- Marriage Certificate
- Birth Certificate

For the following investor categories, identification must be verified by providing photocopies of each of the items listed.

Corporations

- Certificate of Incorporation

The director who has signed the application must also provide full details and evidence of identity as specified for personal investors.

Trusts and estates

Identification is required for all trustees and executors, as specified for personal investors above.

Investing for another person under power of attorney

Identification of the person in whose name the investment is being made is as specified for personal investors above. In addition, copies of each of the following documents are required:

- Power of Attorney
- Certificate of Non-Revocation

Investing on behalf of a minor (14 years and under)

Identification of the person in whose name the investment is being made, is as specified for personal investors above.

Return form(s) and cheques

Please mail your Application Form, Direct Debit Authority (if applicable) and cheque to:

Fisher Funds Management Limited
c/- Trustees Executors Limited
PO Box 409
Wellington 6143

You will receive confirmation of your investment within seven working days. Please keep this in a safe place - it is an official record of your investment.

Personal service

For all enquiries about making an investment, monitoring your investment, or withdrawing funds, please contact:

Fisher Funds Management Limited
c/- Trustees Executors Limited
PO Box 409
Wellington 6143
Freephone 0508 FISHER (0508 347 437)
Telephone 09 445 3377
Facsimile 09 489 7139
Email enquiries@fisherfunds.co.nz
Website: www.fisherfunds.co.nz

Our client services team will be pleased to provide prompt answers to any questions you may have.

To invest, please complete an Application Form (and a Direct Debit Authority if you intend to invest regularly) and send it to us with your cheque attached.

To withdraw, please write to us quoting your Unit Holder number and details of the bank account you would like the proceeds paid to. Please ensure that the withdrawal notice includes a signature of the current Unit Holder(s).

To make an additional investment, please complete an Application Form or write to us quoting your Unit Holder number.

To monitor your investment, you can check the unit price

- On the Fisher Funds website (www.fisherfunds.co.nz)
- By phoning us on 0508 FISHER (0508 347 437) or 09 445 3377
- In major newspapers
- In our monthly newsletter *From the Undergrowth* or our quarterly newsletter *Friends of Freddie*

To calculate the value of your investment, multiply the number of units you own by the most recent unit price.

You will receive our monthly newsletter within the first two weeks of each month.

Please feel free to call us if you would like any help in completing the Application Form.

Application Form

- This is an application to invest in the **Fisher Funds Fledgling Fund**
- This is an additional investment (Please insert your Unit Holder number in the boxes provided)

Please mail this Application Form, together with your cheque and other relevant documentation to:
Fisher Funds, c/o Trustees Executors Limited, PO Box 409, Wellington, 6143.

Office use only

_____ / _____ / _____

Unit Holder number

_____|_____|_____|_____|_____|_____|_____|_____|

Your prescribed tax rate (please tick one)

0% 19.5% 33%

only available for companies, trusts and charities. refer to page 7 to determine your applicable rate; if an elected tax rate is not selected, 33% will apply.

Investor details

Company / Trust Name (Please list names of Trustees, Directors etc, under Individuals below)

IRD no. (for Company / Trust)

_____|_____|_____|_____|_____|_____|_____|_____|

Individuals

 (Also Trustees, Directors etc)

Title _____ Surname _____ First names _____

Date of birth _____ / _____ / _____ IRD no. _____|_____|_____|_____|_____|_____|

Title _____ Surname _____ First names _____

Date of birth _____ / _____ / _____ IRD no. _____|_____|_____|_____|_____|_____|

Title _____ Surname _____ First names _____

Date of birth _____ / _____ / _____ IRD no. _____|_____|_____|_____|_____|_____|

Evidence of identity provided (please tick appropriate box)

Personal cheque

Other (Additional evidence is required - please refer to page 14 for our requirements)

Investment on behalf of a minor

(Please give details of the person who is to control this statement (e.g. parent or guardian) if the above named investor/s are 14 years or under)

Title _____ Surname _____ First names _____

Date of birth _____ / _____ / _____ IRD no. _____|_____|_____|_____|_____|_____|

Evidence of identity provided (please tick appropriate box)

Personal cheque

Other (Additional evidence is required - please refer to page 14 for our requirements)

Relationship to investor/s (please specify) _____ Please indicate age at which above named investor/s may have control of this investment _____

Postal address

Please tick here if the address for service is via your adviser, otherwise complete the details below

Postal address _____

_____ Postcode _____

Home phone () _____ Business phone () _____ Fax () _____

Mobile () _____ Email address _____

DETACH HERE

Newsletters

All investors will be sent our monthly newsletter *From the Undergrowth*. Young investors will also be sent our quarterly newsletter *Friends of Freddie*. The newsletter will be sent via email if an email address has been supplied on the previous page or, if not, to the postal address supplied. Please indicate below if it should be sent to an alternative address.

Please send *From the Undergrowth* and *Friends of Freddie* to the postal / email address below (delete as appropriate)

Names

Postal address Postcode

City Country

Email address

Investment details

Single investment (minimum \$500)	Regular investment amount (minimum \$50 per month)	Regular investment start date:
\$ <input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>

Payment: Please make your cheque payable to 'Fisher Funds Management Limited Trust Account' and cross it 'Account Payee Only'.
Regular Investments: Please complete the Direct Debit Authority provided.

Distributions

All distributions should be (please tick one box only).

Reinvesting into my holding at the then current unit price (default) Paid directly into the bank account below

Bank/Branch Account Name

Account details

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Bank	Branch	Account number										Suffix							

The Privacy Act

This statement relates to the personal information that you are providing to the Manager by way of this application and any subsequent personal information which you may provide in the future. The personal information you have supplied may be used by the Manager and the Trustee (and related entities thereof) for the purposes of enabling the Manager to arrange and manage your investment, and to contact you in relation to your investment. The Manager will provide you (on request) with the name and address of any entity to which information has been disclosed. You have the right to access all personal information held about you by the Manager. If any of the information is incorrect, you have the right to have it corrected. You acknowledge that you are authorised to provide personal information on behalf of the applicant and evidence of this authority is provided (in the case of a parent/guardian/other providing information about the applicant) You agree that your/each of your names and addresses may be used by Fisher Funds Management Limited to provide you with newsletters and other information about the Fund and other products and services.

Declaration

I/We have read and retained a copy of the attached Investment Statements and agree to be bound by the terms and conditions of the Trust Deed. I/We agree to the terms outlined above in relation to the Privacy Act and the supply of personal information. I/We understand that the Fund is a vehicle for long term investment and as the Fund invests in shares, the value of my/our investment is liable to fluctuations and may rise and fall from time to time. I/We understand the manner in which the fees will be deducted from my/our investment. This Investment Statement and the offer of securities has been made to me/us in New Zealand.

Signature of applicant, trustee or director <input type="text"/>	Date <input type="text"/>
Signature of applicant, trustee or director <input type="text"/>	Date <input type="text"/>

Adviser details

Your adviser may charge an entry fee of up to 4% on each investment.

Adviser fees:	Lump sum <input type="text"/> %	Regular investments/Direct Debits <input type="text"/> %
Adviser name <input type="text"/>	Company <input type="text"/>	Adviser's stamp <input type="text"/>
Postal address <input type="text"/>		
Phone <input type="text"/>	Fax <input type="text"/>	
() <input type="text"/>	() <input type="text"/>	
Email address <input type="text"/>		

Direct Debit Authority

(For regular investments only)

Investor Instructions

Investor name

Start date

 / /

Amount

 \$

Fisher Funds Fledgling Fund

Weekly

Day of week

Monthly

Day

I have read and retained a copy of the attached Investment Statement and agree to be bound by the terms and conditions of the Trust Deed.

Bank Instructions

Name of account to be debited

Account details

Bank

Branch

Account number

Suffix

Bank / Branch

Address (PO Box)

Town / City

**AUTHORITY
TO ACCEPT
DIRECT DEBITS**

*(Not to operate as an
assignment or agreement)*

AUTHORISATION CODE

0 2 1 7 1 4 7

DETACH HERE

Information to appear in my bank statement (To be completed by Investor)

Payer particulars

 F I S H E R F U N D S

Payer code

 F L E D G L I N G

Payer reference

Customer Authorisation

I authorise you, until further notice in writing, to debit my account with all amounts which TEA Custodians o/a Fisher Funds Management Limited (hereinafter referred to as the Initiator) the registered Initiator of the above Authorisation Code, may initiate by Direct Debit.

I acknowledge and accept that the bank accepts this authority only upon the conditions listed on the reverse of this form.

Authorised signature

Date

 / /

For Bank Use Only

Approved

1691
06/07

Date received:

Recorded by:

Checked by:

Bank stamp

Conditions of Authority

1. The Initiator:

(a) Regular Fixed Amounts

The Initiator undertakes to give written notice to the Acceptor of the commencement date, frequency and amount at least 10 calendar days before the first Direct Debit is drawn, (but not more than 2 calendar months). In the event of any subsequent change to the frequency or amount of the regular Direct Debits, the Initiator has agreed to give written notice at least 30 days before the change comes into effect.

(b) May, upon the relationship which gave rise to this Authority being terminated, give notice to the Bank that no further Direct Debits are to be initiated under the Authority. Upon receipt of such notice the Bank may terminate this Authority as to future payments by notice in writing to me/us.

2. The Customer may:

(a) At any time, terminate this Authority as to future payments by giving written notice of termination to the Bank and to the Initiator.

(b) Stop payment of any Direct Debit to be initiated under this Authority by the Initiator by giving written notice to the Bank prior to the Direct Debit being paid by the Bank.

(c) Where a variation to the amount agreed between the Initiator and the Customer from time to time to be direct debited has been made without notice being given in terms of clause 1 (a) above, request the Bank to reverse or alter any such Direct Debit initiated by the Initiator by debiting the amount of the reversal or alteration of a Direct Debit back to the Initiator through the Initiator's Bank. PROVIDED such request is made not more than 120 days from the date when the Direct Debit was debited to my/our account.

3. The Customer acknowledges that:

(a) This authority will remain in full force and effect in respect of all Direct Debits made from my/our account in good faith notwithstanding my/our death, bankruptcy or other revocation of this Authority until actual notice of such event is received by the Bank.

(b) In any event this Authority is subject to any arrangement now or hereafter existing between me/us and the Bank in relation to my/our account.

(c) Any dispute as to the correctness or validity of an amount debited to my/our account shall not be the concern of the Bank except in so far as the Direct Debit has not been paid in accordance with this Authority. Any other disputes lie between me/us and the Initiator.

(d) The Bank accepts no responsibility or liability for the accuracy of information about payments on Bank Statements.

(e) The Bank is not responsible for, or under any liability in respect of:

- any variations between notices given by the Initiator and the amounts of Direct Debits.

- the Initiator's failure to give written advance notice correctly nor for the non-receipt or late receipt of notice by me/us for any reason whatsoever. In any such situation the dispute lies between me/us and the Initiator.

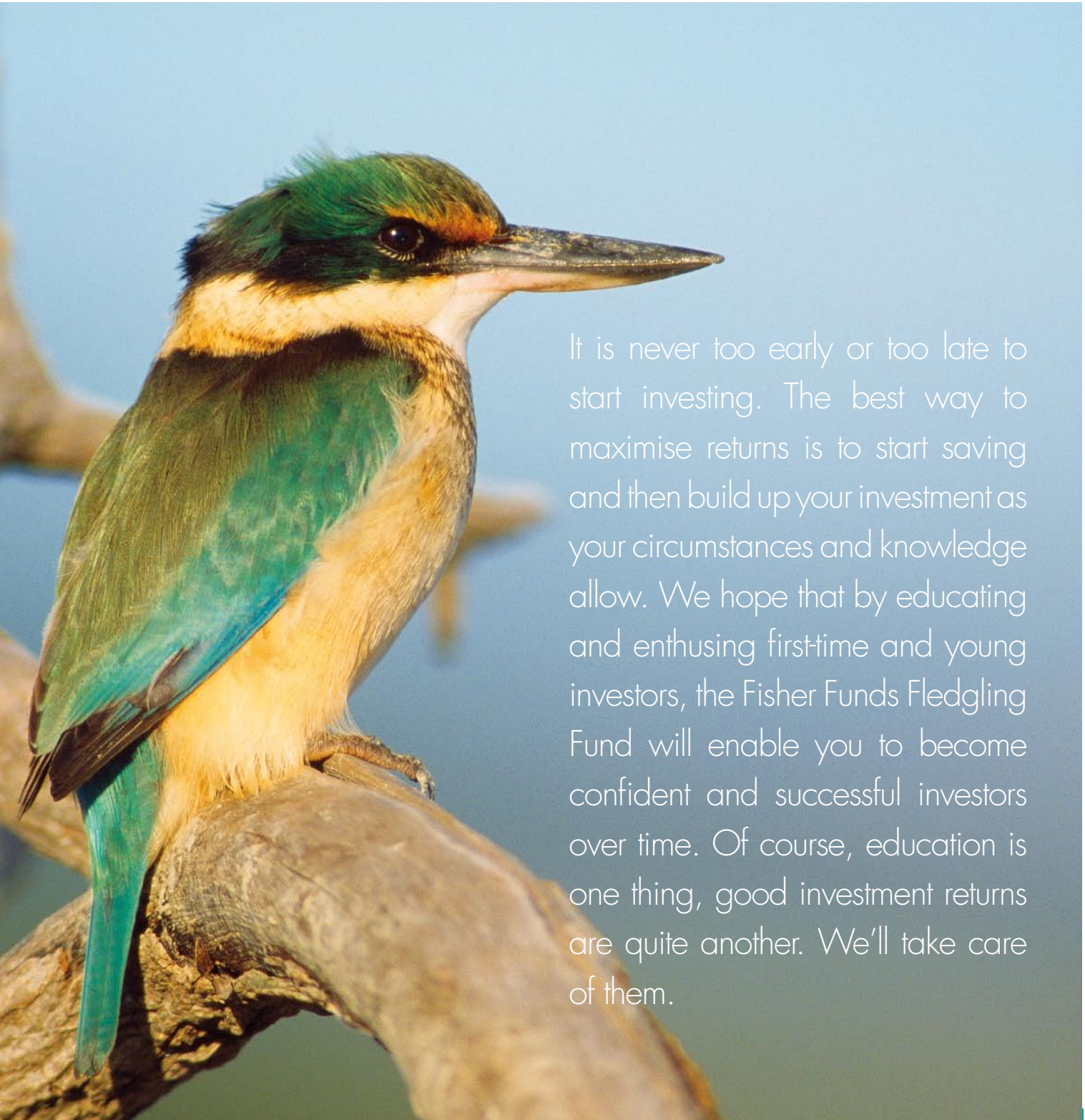
(f) Notice given by the Initiator in terms of clause 1 (a) to the debtor responsible for the payment shall be effective. Any communication necessary because the debtor responsible for the payments is a person other than me/us is a matter between me/us and the debtor concerned.

4. The Bank may:

(a) In its absolute discretion conclusively determine the order of priority of payment by it of any monies pursuant to this or any other Authority, cheque or draft properly executed by me/us and given to or drawn on the Bank.

(b) At any time terminate this Authority as to future payments by notice in writing to me/us.

(c) Charge its current fees for this service in force from time to time.



It is never too early or too late to start investing. The best way to maximise returns is to start saving and then build up your investment as your circumstances and knowledge allow. We hope that by educating and enthusing first-time and young investors, the Fisher Funds Fledgling Fund will enable you to become confident and successful investors over time. Of course, education is one thing, good investment returns are quite another. We'll take care of them.

Fisher Funds Management Limited

Registered Office

Fisher Funds Management Limited, Level 2, 95 Hurstmere Road, Takapuna, Auckland 0622.

Investor Enquiries

Level 2, 95 Hurstmere Road, P O Box 33 549, Takapuna, Auckland 0740.

Freephone 0508 FISHER (0508 347 437). Telephone 09 445 3377. Facsimile 09 489 7139.

Email enquiries@fisherfunds.co.nz. Website www.fisherfunds.co.nz

Applications and Withdrawals

Fisher Funds Management Limited,

c/o Trustees Executors Ltd

PO Box 409

Wellington 6143

able

[ey-buhl]

adjective

- having necessary power, skill, resources, or qualifications; qualified: *able to lift a one hundred kilogram weight; able to write music; able to travel widely; able to vote.*
- having unusual or superior intelligence, skill, etc.: *an able leader.*
- showing talent, skill, or knowledge: *an able speech.*
- legally empowered, qualified, or authorized.