

## More corporate activity for Fisher Funds

Fisher Funds is considering the potential benefits of a second takeover of one of its key international shareholdings just days after investors in three of its funds benefited from the takeover offer by Shiseido for United States-based Bare Escentuals.

The management of Hongguo International Holdings, a leading women's fashion shoe retailer based in China and listed on the Singapore exchange, has made an offer to acquire all of the outstanding shares for S\$0.439, which is 37% higher than the current market price and 120% higher than the share price 12 months ago.

The Fisher Funds International Growth Fund, the Fisher Funds KiwiSaver Growth Fund, and listed company Marlin Global, are all holders of shares in Hongguo. Nearly 4% of these portfolios was invested in Hongguo prior to the announcement and if successful, this takeover could provide a NZ\$1.3m boost to the Net Asset Value of Marlin Global with further gains for the Fisher Funds International Growth and the Fisher Funds KiwiSaver Growth Fund.

The Bare Escentuals offer realised a near 40% premium and boosted the Marlin Global NAV by \$1.7 million earlier this week.

Fisher Funds is the largest institutional shareholder in Hongguo and portfolio manager, Ken Applegate, is yet to decide whether to accept the offer.

"While a 37% boost to returns is nice, we believe the long term value of the company is much higher. The management of Hongguo clearly recognise this, which is why they are seeking to take the company private. As substantial shareholders we will continue discussions with the management and other large shareholders, to maximise the value for our investors."

Fisher Funds Managing Director Carmel Fisher says that with any corporate activity, investors must weigh the positive short-term benefit against the long-term gains that will be foregone if an offer is accepted.

“In the case of Hongguo, we bought the company two years ago to capitalise on the urbanisation of China driven by the emerging middle class. This trend is still developing and Hongguo will be a major beneficiary. The 37% takeover price premium undervalues the company’s earnings potential over the next three years, hence our reluctance to immediately accept this offer from management.”