

The Gaden Provident Fund
As a Unit Holder in
The ARP Growth Fund



12 March 2012

The Chairman
Parliamentary Joint Committee on
Corporations & Financial Services
P.O.Box 6100
Parliament House
CANBERRA
ACT
2600

Dear Sir,

Supplementary Submission to the Inquiry into the collapse of Trio
Capital and any other related matters.

Further to our initial submission of 14 August 2011 we now understand that you are receiving supplementary submissions which we feel would give extra weight to the evidence currently before the Inquiry.

This submission is largely based on the "Enforceable Undertaking" (EU) that ASIC has entered into with Mr. Tony Maher (formerly known as Paul Anthony Gresham)(Maher), Investment Manager of the ARP Growth Fund - (Copy Enclosed)

Whilst the EU Paragraph 16.2(b) states "this undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in this undertaking or arising from future conduct." it would appear that ASIC is protecting Maher from further investigation by way of public examination which is currently being sought by PPB, the liquidator of the ARP Growth Fund.

We are aware that PPB wish to question Maher at a public inquiry to fully investigate all aspects of PSTM and Gresham's dealings in Trio and ARP Growth Fund.

However we are reliably informed that ASIC will NOT provide PPB with Maher's address thus precluding it from serving the appropriate "Notice to Appear" papers on Maher. How can the investigations into Trio Capital and the ARP

Growth Fund reach a satisfactory conclusion when ASIC is conducting itself in such an irresponsible and obstructive manner.

In 2003 Maher became aware that his business had to operate under an Australian Financial Services License from March 2004. He achieved this by joining Wright Global Investments (via Messrs Cameron Anderson, Shawn Richard (now in jail) and Matthew Littauer (deceased) who held an AFSL. As a result PST Management (Maher's Company) became the authorized representative of WGI.

This begs the question as to why Maher (Gresham) did not obtain his own license either in his own name or in the name of his company PSTM.

The fact that Members Funds were invested in Wholesale Managed Funds in accordance with the SIS Act 1993 from 1984 to 2004 and between 2004 until July 2007 under the umbrella of APRA should not change the position of Self Managed Superannuation Funds being invested in the PPPST.

When the Investment Manager, PSTM, reinvested the funds as a Managed Investment Scheme (MIS) in the ARP Growth Fund, which came under ASIC's Jurisdiction and no longer APRA's from July 2007. Notwithstanding the technical point that ASIC may now be the authority having theoretical jurisdiction over the investment does not alter the fact that the monies invested in the ARP Growth Fund were in superannuation funds, supposedly under the watchful eye of the regulators.

The matter of valuation of the investments (paragraphs 9 and 13.3) of the EU also defies belief. The members of the ARP Growth Fund, 74 families in total, were being told "fairy tales" from 2007-2009. In October 2009 pension payments stopped and monthly "false" statements stopped simply because the funds no longer existed. The question of auditing and custodial responsibility, or lack thereof, must surely come into question. We would suggest that this must be a key issue for the PJC Inquiry.

The manner in which Trust Company of Australia Limited was systematically eliminated from its role as Trustee on 11th June 2004 to be taken over by Trio as Trustee which was part of Maher's tactics as the principal operative of the ARP Growth Fund. In addition the existence of associated entities with common directors must in itself be seen as 'conflict of interest' and be contrary to regulations.

The role of Trustee in the area of superannuation administration is surely one of independence from the operators of the funds to ensure that the investments are placed and managed in the best interests of the members of the superannuation fund within the relevant laws of the land. Maher's actions here seem to be in conflict with accepted practice and the law. (Refer Para.6 Page 4) of the EU.

It is noted that on 11th June 2004 that the Permanent Trustee Company Limited was appointed "Custodian" by Trio following the resignation of Trust Company of Australia also on 11th June 2004 for the reasons outlined in the Enforceable Undertaking.

It appears that the investment of \$4.75 Million in SGUT on 14th April 2004 was made by Gresham without the Trust Company of Australia's approval and in defiance of their non approval of his proposed changes in investment strategy. (Refer Para.7.of the EU)

The question arises as to why Trust Company of Australia did NOT report this transaction to APRA or if they did why did APRA not react appropriately . If APRA had taken the appropriate steps at this time the subsequent actions of the ARP Growth Fund may never have occurred.

The next question to be posed is whilst PSTM (Maher) redeemed investments in Australia in October 2004 and reinvested \$37 Million in shares in PPARP (A British Virgin Islands registered company) at the behest of Trio . Where was the "Custodian",the Permanent Trustee Company ? Was it left out of the loop or did it fail in its custodial duties ?

In our view the Australian Taxation Office would also have a potential vested interest in the amount of fees(income) paid to PSTM and or Mr. Gresham as noted in the (Para's 7.3(c),7.6,7.13 and 10.2 of the EU) which collectively total some \$3.4 Million plus the fees gleaned from individual members funds. Members were unaware of the \$2.2Million (Ref.Paras. 7.3(c),7.6 and 7.13 of EU) until it was disclosed in the EU .

Whilst ASIC has carried out considerable investigation and research into the matter of PSTM and Maher it is our belief that he should be brought to justice once ASIC has acquired enough evidence to prosecute a case if it has not already done so. In our view this situation is scandalous given that Maher was the Investment Manager of the ARP Growth Fund when key investments were made in PPARP and SGUT have subsequently disappeared.

We enclose herewith:-

1. Copy of the Enforceable Undertaking made between ASIC and Mr. Tony Maher, formerly Paul Gresham, dated 1/2/2012
2. Extract from Hansard of 8th February 2012 pages 160-162, Corporations Financial Services Committee Report addressed by Mr. Paul Fletcher , the Member for Bradfield and
3. Copies of documents (9 pages) relating to Professional Pensions PST from July 2004 which ASIC holds the originals of.

The more one reads the results of the research in the Enforceable Undertaking and links the events from 2003 to 2009 and the operatives involved including Messrs Shawn Richard, Mr. Jack Flader (as reports in the press suggest) and others, one could easily assume that unknowingly the SMSF's of some 74 families have been "laundered away" in a manner similar to the well publicized "Nigerian money scams."

Yours Sincerely

~~Edward~~ J. Gaden
Trustee

Marcia C. Gaden
Trustee



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12-15MR Former ARP Growth Fund operator prevented from participating in financial services, managing companies

Wednesday 1 February 2012

ASIC has accepted an enforceable undertaking (EU) from the former operator of the ARP Growth Fund (ARP) permanently preventing him from working in the Australian financial services industry or managing a corporation.

Tony Maher, who changed his name from Paul Gresham, entered into the undertaking after an ASIC investigation found, among other things, he engaged in misleading conduct and failed to disclose conflicts of interest, resulting in him gaining financial benefits from various financial deals.

Mr Maher owned and controlled PST Management Pty Limited (PSTM), the company that acted as the investment manager of ARP. ARP was a managed investment scheme run by failed fund manager Trio Capital Limited (Trio). In this role he identified and recommended investments for ARP and its predecessor Professional Pensions Pooled Superannuation Trust (PPPST).

Maher received undisclosed payments of more than \$2 million arising from investments he recommended for ARP and PPPST. In accepting these undisclosed payments Mr Maher created a conflict of interest for himself.

ASIC was also concerned Mr Maher engaged in misleading and/or deceptive conduct when valuing ARP's largest investment. ASIC was also concerned that Mr Maher failed to undertake adequate due diligence in respect of some investments that he recommended for ARP/PPPST in circumstances where he knew that he had a conflict of interest.

ASIC Chairman Greg Medcraft said critical gatekeepers in the financial services system like investment managers must do their job to ensure confident and informed investors.

'Investment managers who engage in misleading and deceptive conduct will not be tolerated,' Mr Medcraft said.

Mr Medcraft said Mr Maher's exclusion from financial services and managing companies was the latest outcome from ASIC's investigation of the Trio collapse.

ASIC's investigation into the conduct of Mr Maher is continuing.

Background

Trio collapsed in December 2009 after it was placed into administration by its directors. On 19 March 2010, the Supreme Court of New South Wales ordered that ARP be wound up.

As at December 2009, ARP had net assets of approximately \$58 million. Investors in ARP included self managed superannuation funds, many of which had been clients of Mr Maher for more than 20 years.

The liquidator of Trio has been unable to recover the vast majority of the investments made by ARP.

For ASIC's specific concerns about the conduct of Mr Maher download the enforceable undertaking.

Other Trio regulatory action by ASIC

ASIC has entered into EUs with former Trio chairman David Andrews (refer: [11-186MR](#)), and former Trio directors Rex Phillpott and Natasha Beck (refer: [11-133MR](#)), and Keith Finkelde and David O'Bryen (refer: [11-182MR](#)). It has also accepted an EU from Kilara Financial Solutions Pty Ltd (refer: [11-122AD](#)).

The Australian financial services (AFS) licence of Seagrims Pty Ltd has been suspended while its directors and responsible managers, Peter Seagrim and Anne-Marie Seagrim, have both been banned by ASIC from providing financial services for three years (refer: [11-134AD](#)).

In addition, Shawn Richard, who was a director of the investment manager of the Astarra Strategic Fund, is currently serving a minimum of two and half years in prison after last year pleading guilty to two counts of dishonest conduct in carrying on a financial services business ([11-169MR](#)).

▶ [Download the enforceable undertaking](#)

ASIC Website: Printed 02/02/2012



ENFORCEABLE UNDERTAKING

Australian Securities and Investments Commission Act 2001

Section 93AA

The commitments in this undertaking are offered to the Australian Securities and Investments Commission (ASIC) by:

TONY MAHER (FORMERLY KNOWN AS PAUL ANTHONY GRESHAM)

Address known to ASIC

1. Definitions

In addition to terms defined elsewhere in this undertaking, the following definitions are used:

AFM means Astarra Funds Management Pty Limited ACN 098 220 467 (formerly Tolhurst Funds Management Pty Limited).

AFSL means Australian financial services licence.

Anderson means Cameron Anderson.

ARP means ARP Growth Fund ARSN 112 315 036, a managed investment scheme registered in Australia.

ASIC Act means the *Australian Securities and Investments Commission Act 2001* (Cth).

Corporations Act means the *Corporations Act 2001* (Cth).

CPP means Corporate Pension Planning Pty Limited ACN 002 339 700.

Flader means Jack W. Flader Jr, a US citizen residing in Hong Kong.

Gresham means Tony Maher (formerly known as Paul Anthony Gresham).

Huntleigh means the Huntleigh Investment Fund Limited (which later changed its name to Exploration Fund Limited), a foreign mutual fund registered in Saint Lucia.

Littauer means Matthew Littauer, deceased.

PPARP means Professional Pensions ARP Limited, a company licensed as a professional fund in the British Virgin Islands.

T M

PPM means Private Placement Memorandum.

PPPST means Professional Pensions PST, a pooled superannuation trust regulated under the *Superannuation Industry (Supervision) Act 1993*.

PSTM means PST Management Pty Limited ACN 077 522 242.

Richard means Shawn Darrell Richard (Richard was a director of Trio Capital Limited from 5 November 2003 to 15 November 2005 and Wright Global Investments Pty Limited from 12 July 2001 to 16 September 2009).

SGUT means the Silverhall Gillieston Unit Trust, a private property trust.

SIS Act means the *Superannuation Industry (Supervision) Act 1993* (Cth).

Sutherland means James (Jim) Campbell Sutherland.

Trio means Trio Capital Limited (In Liquidation) ACN 001 277 256 (formerly Tolhurst Capital Limited and later Astarra Capital Limited).

Trust Company means Trust Company of Australia Limited ACN 004 027 749 or its wholly owned subsidiary, The Trust Company (Superannuation) Limited ACN 006 421 638 (formerly Trust Company Superannuation Services Limited).

WGAM means Wright Global Asset Management Pty Limited ACN 105 796 754.

WGI means Wright Global Investments Pty Limited ACN 097 478 487, AFSL No 225058.

2. ASIC's role

2.1. Under section 1 of the ASIC Act, ASIC is charged with a statutory responsibility to perform its functions and to exercise its powers so as to promote the confident and informed participation of investors and consumers in the financial system.

3. Gresham's business

3.1. From about 1982, Gresham operated a business assisting clients in managing their own personal superannuation funds. The business initially focused on the administration of superannuation funds which involved the preparation of taxation returns and financial statements. As set out below, Gresham later expanded his business to include investment management services including the provision of investment advice.

3.2. Gresham conducted his business through a number of corporate entities which he controlled and was a director, including:

(a) CPP (deregistered in July 2005); and

(b) PSTM.

- 3.3. PSTM ceased trading in about July 2010 after it was placed into external administration.
 - 3.4. A majority of Gresham's clients had been clients since the 1980's and 1990's. At all times Gresham was the main point of contact for these clients.
4. **Professional Pensions PST**
- 4.1. In 1984, Gresham established the PPPST (formerly called the CPP Superannuation Investment Pool). The purpose of the PPPST was to facilitate access to professionally managed wholesale investment funds for small to medium superannuation funds. CPP was the administrator of the CPP Superannuation Investment Pool.
 - 4.2. Initial investors in the PPPST were self managed superannuation funds operated by clients of Gresham.
 - 4.3. In 1995, following the introduction of the SIS Act, PPPST became regulated as a Pooled Superannuation Trust. At this time:
 - (a) Trust Company of Australia Limited, a company independent of Gresham, was appointed trustee (in 1999, a wholly owned subsidiary of Trust Company of Australia Limited replaced it as trustee); and
 - (b) CPP:
 - (i) continued as administrator; and
 - (ii) became the investment manager of PPPST and provided research and advice to Trust Company concerning the selection of underlying investments.
 - 4.4. In 1997, PSTM replaced CPP as the investment manager and administrator of PPPST.
 - 4.5. From its inception in 1984 until 2004, PPPST invested in wholesale managed funds. By 2004, PPPST had largely invested in a portfolio of listed equities, bonds and cash that was managed by a large fund manager based in Australia.
5. **Acquisition of Trio and the requirement for an AFSL**
- 5.1. In 2003, Gresham became aware that impending changes to the Corporations Act meant that his business was required to operate under an AFSL from 11 March 2004. Accordingly, Gresham made enquiries about becoming an authorised representative of an AFSL holder. In the course of these enquiries, Gresham was referred to Richard and Littauer who were directors of WGI, a company which held an AFSL.
 - 5.2. Richard and Littauer advised Gresham of their interest in acquiring an already established superannuation funds management business based in Albury, New South Wales, named Tolhurst Capital Management Pty

Limited (which later changed its name to AFM) and its subsidiary, Tolhurst Capital Limited (which later changed its name to Astarra then Trio). WGAM, a company controlled indirectly by Richard and Littauer, was to acquire the shares of AFM to affect the purchase.

- 5.3. At the time of the proposed acquisition, Trio was already the trustee of a number of superannuation funds and the responsible entity of a number of managed investment schemes.
 - 5.4. To assist Richard and Littauer in the acquisition of AFM and Trio, Gresham raised approximately \$900,000 from his clients and loaned these monies to WGAM for commercial terms.
 - 5.5. In November 2003, the acquisition of AFM and Trio by WGAM was completed. The directors of WGAM (including Richard, Littauer, and Anderson) became directors of AFM and Trio.
 - 5.6. In about early 2004, Gresham met Flader, Sutherland and York through his relationship with Richard and Littauer.
 - 5.7. In about February 2004, Gresham and PSTM became authorised representatives of WGI.
6. **Change in investment strategy**
- 6.1. In about late 2003, Gresham considered changing the investment strategy of PPPST to include alternative investments such as property, derivatives and offshore hedge funds.
 - 6.2. In about January 2004, PSTM in its capacity as investment manager of PPPST, recommended to Trust Company that PPPST's investment strategy be changed to include alternative investments. In February 2004, Gresham began writing to PPPST's unit holders regarding a plan to change the investment strategy of PPPST to include exposure to such alternative investments.
 - 6.3. Gresham was subsequently advised by Trust Company that it was reluctant to change the current investment strategy of PPPST or to approve investments in such alternative investments.
 - 6.4. Gresham then commenced steps to have Trust Company replaced as trustee of PPPST by Trio. Richard and Littauer had advised Gresham that Trio would allow PPPST's investment strategy to be changed to incorporate alternative investments.
 - 6.5. The following events subsequently took place:
 - (a) On 11 March 2004, WGI replaced PSTM as investment manager of PPPST. The directors of WGI at this time included Richard and Littauer.
 - (b) From 11 March 2004, PSTM continued to perform the investment management role of PPPST in its capacity as authorised

representative of WGI. PSTM continued to send information to unit holders about their investment in PPPST.

- (c) PSTM continued as administrator of PPPST.
 - (d) Following a request by Gresham, on 11 June 2004 Trust Company resigned as trustee of PPPST and appointed Trio as the new trustee.
- 6.6. Gresham did not advise all unit holders of PPPST of the changes referred to in 6.5 above prior to them taking place.
- 6.7. The new trustee (Trio) and investment manager (WGI) of PPPST had common directors, namely Richard and Littauer.
7. **Investments made by PPPST**
- 7.1. On 14 April 2004, PPPST invested \$4.75 million in SGUT. Gresham recommended this investment following discussions he had with Anderson.
- 7.2. At the time of the investment, Anderson was a director of:
- (a) the trustee of SGUT;
 - (b) SGUT's joint manager; and
 - (c) the proposed new trustee of PPPST, Trio and its parent company, AFM.
- 7.3. Gresham did not disclose to Trust Company or to PPPST's unit holders:
- (a) that Anderson was a director of Trio;
 - (b) that Anderson and Gresham had an agreement that if SGUT achieved a certain profit level that Gresham would receive a financial benefit; and
 - (c) that Anderson gave PSTM units in SGUT for no consideration which resulted in PSTM receiving payments of about \$450,000 during the financial year ending 30 June 2007.
- 7.4. In July and October 2004, PPPST invested \$4.75 million and \$1.5 million respectively in Huntleigh, a foreign mutual fund registered in Saint Lucia. The investment was recommended by Gresham following discussions he had with Richard and Littauer. Gresham was aware that Richard and Littauer were related to Huntleigh. In determining whether the investment was appropriate for unit holders in PPPST, Gresham primarily relied on oral assurances provided to him by Richard and Littauer.
- 7.5. According to the PPM of Huntleigh:
- (a) Huntleigh invested in highly speculative derivative strategies;
 - (b) Huntleigh was a newly formed company with no prior operating history; and

- (c) there was no market for shares in the fund which could only be disposed of by way of redemption.
- 7.6. Gresham did not disclose to Trio or unit holders in PPPST that Gresham had an informal agreement with Richard and Littauer which provided for payments being made to Gresham in relation to PPPST's investment in Huntleigh. Gresham subsequently received payments totalling in excess of \$250,000 from Richard and/or Littauer as a result of this agreement.
 - 7.7. In October 2004, PPPST redeemed existing investments to the value of approximately \$37 million and in December 2004 reinvested this amount in shares in PPARP. This investment was made by Trio on the recommendation of Gresham.
 - 7.8. PPARP was a company licensed as a professional fund in the British Virgin Islands. PPARP had the following features:
 - (a) investors were invited to invest in PPARP through the purchase of non-voting, redeemable shares;
 - (b) the investment advisor (an entity associated with York that was responsible for executing the investment strategy and selecting the investments of PPARP) was issued with the only voting share;
 - (c) the shares in PPARP were subject to restrictions on transferability and resale;
 - (d) there was no public market for the shares in PPARP; and
 - (e) there was no restriction on the types of investments and trading activities that PPARP could undertake.
 - 7.9. Gresham, York, and Sutherland were all at various times directors of PPARP:
 - (a) York was a director from October 2004 to November 2004;
 - (b) Gresham was a director from October 2004 to May 2008; and
 - (c) Sutherland was a director from November 2004 to May 2008.
 - 7.10. An entity associated with York was the sole shareholder of PPARP from October 2004 to May 2008.
 - 7.11. From December 2004, PPARP represented PPPST's largest single investment.
 - 7.12. The investment in PPARP was made by Trio on the recommendation of Gresham. In making this recommendation, Gresham relied on the PPM of PPARP and the information given to him by York.
 - 7.13. Gresham did not disclose to Trio or unit holders in PPPST that he had an informal agreement with York which provided for payments to Gresham in relation to PPPST's investments in PPARP. Gresham received

payments totalling in excess of \$1.5 million which he understood to be as a result of this agreement.

8. Gresham's clients moved to ARP

8.1. During the first half of 2007, Trio:

- (a) determined to terminate PPPST effective from 29 June 2007;
- (b) established ARP, a managed investment scheme, to be an alternative investment vehicle to PPPST;
- (c) became the responsible entity of ARP;
- (d) appointed PSTM as the investment manager of ARP; and
- (e) offered unit holders in PPPST equivalent units in ARP.

8.2. In about early 2007, Gresham, through PSTM, recommended that unit holders in PPPST transfer their investment to ARP. A majority of PPPST unit holders agreed to transfer their investment from PPPST to ARP, with the balance redeeming their investment. On 2 July 2007, an in-specie transfer of assets was affected between PPPST and ARP. As a result of this transfer (and like PPPST), PPARP became ARP's largest single investment.

8.3. PSTM, now in its capacity as investment manager of ARP, sent information to unit holders about their investment in ARP (similar to what it did in relation to PPPST).

9. Gresham's valuation of ARP's investment in PPARP

9.1. Gresham, as a director of PSTM, provided Trio with month end valuations of each ARP investment. Gresham obtained the valuation amount for each investment from the fund manager and/or administrator of that investment.

9.2. However, from 1 August 2007, Gresham stopped receiving monthly valuations from both the investment adviser and the administrator of PPARP. The reason for this was that unit pricing of both funds in which PPARP invested had been suspended. Accordingly, from 1 August 2007 to 30 September 2009, Gresham himself purported to prepare month end valuations of the PPARP investment (the Gresham Valuations).

9.3. PPARP's assets were investments in two other funds which, in turn, had interests in complex swap contracts. The value of these swap contracts was determined by a number of factors, only one of which was the value of certain hedge funds (the Hedge Funds).

9.4. However, the Gresham Valuations were not valuations of ARP's investment in PPARP, rather they were purported valuations of the Hedge Funds.

9.5. In undertaking the purported valuations of the Hedge Funds, Gresham used historical data (June 2007 valuations) of the Hedge Funds to which

he made adjustments to reflect monthly fluctuations in the hedge fund market generally.

- 9.6. Gresham did not at any time disclose to Trio or the ARP investors the methodology he was using to prepare the Gresham Valuations.
- 9.7. In the period August 2007 to May 2008, Gresham provided the Gresham Valuations directly to Trio.
- 9.8. Gresham did not disclose to Trio that he was personally preparing the Gresham Valuations until 30 May 2008.
- 9.9. On 30 May 2008, Gresham and Sutherland resigned as directors of PPARP and a new administrator was also appointed.
- 9.10. From June 2008 to September 2009, Gresham provided the Gresham Valuations to the new administrator of PPARP in the knowledge that:
 - (a) the administrator of PPARP would forward the Gresham Valuations to Trio; and
 - (b) Trio had not been informed that the administrator was receiving and relying upon the Gresham Valuations.
- 9.11. From June 2008 to September 2009, Gresham was also aware that:
 - (a) unit pricing of the funds in which PPARP invested had been suspended indefinitely;
 - (b) PPARP could not redeem any units from the funds in which it had invested; and
 - (c) ARP was experiencing severe liquidity problems.

10. Management Fees – PSTM

- 10.1. From August 2007 to September 2009, Trio used the Gresham Valuations to calculate the unit price of ARP and also to calculate the management fees payable to PSTM for its services in relation to ARP.
- 10.2. In the period from 2 July 2007 to 30 June 2009, PSTM received approximately \$1.2 million in management fees in relation to ARP.

11. Liquidation of ARP

- 11.1. On 16 December 2009, Trio was placed into voluntary administration by its directors.
- 11.2. On 19 March 2010, the administrators of Trio sought and obtained orders in the Supreme Court of New South Wales for the winding up of ARP.
- 11.3. On 22 June 2010, Trio was placed into liquidation.
- 11.4. As at October 2011, information available to the liquidator of Trio suggested that the estimated return to the unit holders of ARP will be nil.

12. ASIC's investigation

12.1. ASIC commenced its investigation into Gresham on 23 March 2010 into suspected contraventions of the Corporations Act.

13. ASIC's concerns

13.1. ASIC is concerned that Gresham failed to disclose the following information to all PPPST unit holders until after the occurrence of each particular event, being:

- (a) the change of investment strategy for PPPST;
- (b) the change in trustee of PPPST from Trust Company to Trio; and
- (c) the change in investment manager of PPPST from PSTM to WGI.

13.2. ASIC is concerned that Gresham failed to adequately address conflicts of interest in respect of investments recommended by him in respect of PPPST. In particular, ASIC is concerned that Gresham:

- (a) received financial benefits in respect of investments in SGUT, Huntleigh and PPARP that were not disclosed to the trustee or investors of PPPST;
- (b) did not undertake due diligence to assess the suitability of some investments for PPPST in circumstances where the investments were associated with certain directors of Trio; and
- (c) showed favour to SGUT, Huntleigh and PPARP knowing that he may receive a financial benefit pursuant to the undisclosed agreements he had with Anderson, Richard/Littauer and York.

13.3. ASIC is concerned that the provision of the Gresham Valuations in the period from August 2007 to September 2009 may have constituted misleading and/or deceptive conduct by Gresham as:

- (a) Gresham did not disclose to Trio until 30 May 2008 (other than Richard) that he was undertaking the Gresham Valuations;
- (b) Gresham was purporting to value PPARP when in fact he was estimating the value of the Hedge Funds using historical data adjusted for monthly movements in the hedge fund market generally;
- (c) the methodology used to calculate the Gresham Valuations meant that the valuations had no reasonable basis;
- (d) Gresham did not disclose to Trio that he had no reasonable basis on which to calculate the Gresham Valuations;
- (e) Gresham knew the information would be used by Trio to calculate the unit price of ARP; and

- (f) Gresham knew the information would be used by Trio to calculate management fees due to PSTM.

14. Acknowledgement of concerns

- 14.1. Gresham acknowledges ASIC's concerns as set out in paragraphs 13.1 to 13.3 above.

15. Undertakings

- 15.1. Under section 93AA of the ASIC Act, Gresham has offered, and ASIC has agreed to accept as an alternative to exercising its powers under section 920A of the Corporations Act, the following undertakings:

- (a) Gresham permanently undertakes to not provide any financial services from the time of acceptance of this undertaking by ASIC; and
- (b) Gresham permanently undertakes not to take part in the management of a corporation.

- 15.2. Without in any way limiting the undertaking in paragraph 15.1 above, Gresham permanently undertakes, from the time of acceptance of this undertaking by ASIC not to:

- (a) do any act or engage in any conduct as a representative of an Australian Financial Services Licensee;
- (b) hold himself out as a representative of an Australian Financial Services Licensee;
- (c) carry on a business in relation to financial products or financial services within the meaning of section 761A of the Corporations Act either directly or indirectly as a director, partner, manager, servant or agent;
- (d) hold out that he is in any way authorised to provide a particular financial service or services that he is any way authorised to provide financial services generally; or
- (e) apply to ASIC under section 913A of the Corporations Act for an AFSL.

- 15.3. Gresham undertakes to provide all documents and information as requested by ASIC from time to time for the purposes of assessing Gresham's compliance with the terms of this enforceable undertaking.

16. Acknowledgements

- 16.1. Gresham acknowledges that ASIC:

- (a) may issue a media release on execution of this undertaking referring to its terms and to the concerns of ASIC which led to its execution;
- (b) may from time to time publicly refer to this undertaking; and

(c) will make this undertaking available for public inspection.

16.2. Further Gresham acknowledges that:

- (a) ASIC's acceptance of this undertaking does not affect ASIC's power to investigate, conduct surveillance or pursue a criminal prosecution or its power to lay charges or seek a pecuniary civil order or damages in relation to any contravention that is the subject of ASIC's concerns in this enforceable undertaking or any other conduct; and
- (b) this undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in this undertaking or arising from future conduct.

16.3. Gresham acknowledges that ASIC had reason to be concerned as to the alleged facts and has offered an enforceable undertaking in the terms of section 15 above.

16.4. Gresham acknowledges that this undertaking has no operative force until accepted by ASIC, and Gresham and ASIC acknowledge that the date of the enforceable undertaking is the date on which it is accepted by ASIC.


.....

Tony Maher (formerly known as Paul Anthony Gresham)

Dated: ..27/1/12.....

Accepted by the Australian Securities and Investments Commission under section 93AA of the ASIC Act by its duly authorised delegate:


.....

Chris Savundra

Delegate of Australian Securities and Investments Commission

Dated:1/2/12.....

INBOX

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To: Actek Superannuation Fund <dbfowler@optusnet.com.au>
Subject: **Fw:**
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----- Original Message -----

From: Fay T Gammel
To: Terry Gammel
Sent: Friday, February 10, 2012 12:22 PM

Dear Members,

Please open the link shown below which is a copy of Hansard dated Wednesday 8th February 2012.

In particular go to pages 159- 162 inclusive as shown on your screen. It is a summary of a speech made to Parliament last Wednesday by Paul Fletcher, Member for Bradfield, avid supporter of the ARP Growth Fund and a member of the Joint Parliamentary C'tee.

<http://www.aph.gov.au/hansard/reps/dailys/dr080212.pdf>

Kind Regards,

Terry Gammel
Secretary.

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in relation to frozen funds. I want to speak for a moment on a couple of these issues. In relation to the strategic framework I would like to commend ASIC for its work to improve financial literacy—for example, through the mortgage health campaign, the retirement guide and better communication about Australian financial services licences. But what I would like to speak about more specifically is the question of frozen funds. A number of my constituents found, to their surprise and distress, that mortgage funds in which they had invested substantial amounts of money, typically to provide for their retirement, were frozen in the wake of the global financial crisis. On the assumption, which I think is valid, that my constituents are not atypical of the broader class of persons who hold units in these funds, it is clear from the surprise expressed to me by my constituents that there is limited understanding in the community that funds of this kind, typically mortgage funds, do have the ability to freeze redemptions. I have asked ASIC a number of questions about this issue at recent hearings. At the most recent hearing the chairman of ASIC, Mr Medcraft, explained that when funds were first frozen in November 2008 the total amount involved was \$23.3 billion and there were 87 funds involved. By the end of June 2011 the amount of money frozen had reduced to \$17.2 billion, of which approximately \$5.2 billion had been restructured with member approval. Mr Medcraft explained that this means they are 'delivering perhaps partial repayments or they are being wound up'.

The issue here is the mismatch between the nature of the assets owned by the funds and expectations on the part of unit holders, investors in the funds, as to the degree of liquidity they might expect. Mr Medcraft explained that as a result of the global financial crisis ASIC now makes it plain to investors considering mortgage trusts that such funds are not liquid funds in the same way as bank deposits. The committee is of the view generally, and it is certainly my view, that anything that can be done to increase the awareness of investors on this point is a good thing. I think it is also important—and I very much urge ASIC to do this—to maintain a continued level of very close scrutiny on funds managers who have frozen funds. I would be particularly concerned if it were the case that funds managers were continuing to draw their normal healthy commission or management expenses in circumstances where investors were not being provided with the liquidity that they had expected. Let me conclude my comments on that point.

Question agreed to.

Corporations and Financial Services Committee

Report

Debate resumed on the motion:

That the House take note of the report.

Mr FLETCHER (Bradfield) (17:37): I am pleased to have the opportunity to speak about the ongoing progress of the inquiry of the Corporations and Financial Services Committee into the collapse of Trio and the consequences for investors, as shown in this interim report. The collapse of Trio is a very unhappy story which has left a number of Australians materially worse off. A number of my constituents approached me after having invested substantial amounts of money, typically via self-managed superannuation funds, with Trio Capital and its products, including particularly the ARP growth fund. Trio collapsed in 2009 and investigations began on the part of ASIC, APRA, a liquidator and other players, and it became clear that there was substantial evidence of fraudulent conduct. It appears that over \$100 million has been lost by investors in two principal categories: self-managed super funds, as I have mentioned, and also those who have invested via APRA regulated superannuation funds.

Last year then Assistant Treasurer Bill Shorten, prior to taking another step on his glittering ascendancy to inevitable total world domination, announced that there would be compensation for those Australians who had lost money as a result of the Trio Capital collapse who had invested in APRA regulated funds. However, this compensation did not extend to people who had invested by means of self-managed superannuation funds. In my view, what has happened here is a real tragedy, as I have argued previously in this place. These are people who have sought to provide for their own retirement. I speak of my constituents who have invested via self-managed superannuation funds and many other investors who have invested in that fashion. They are in the main quite financially sophisticated people. They are people who have accumulated substantial balances designed to provide for them in their retirement. In other words, they have been seeking to take responsibility for their own financial position in retirement. Yet the balances in those funds have been entirely lost. The average balance in the self-managed superannuation fund component of the Trio collapse is some \$700,000, so these are very substantial amounts of money that have been lost. It was therefore pleasing to me that the Parliamentary Joint Committee on Corporations and Financial Services commenced an inquiry into the collapse of Trio and what we have learned through that inquiry is quite troubling. Trio operated a complicated web of products and funds. It was the trustee for several APRA regulated superannuation funds. It was also the responsible entity for a range of funds and

products, including the ARP Growth Fund that I mentioned and the Astarra Strategic Fund. These funds attracted significant investments from typically self-managed superannuation funds.

Now much of this money went offshore and quite a lot of it ended up in jurisdictions like the British Virgin Islands and was last seen having been invested into swap deals with parties like Bear Stearns as the counterparty. None of this is very encouraging news for those who discovered that this is where their money had gone. The root cause of this very unhappy story appears to have been that in approximately in 2005 a well-established funds management business based in Albury was taken over by what now appears to be a criminal organisation. That is a very serious thing to say, but the evidence suggests it is an entirely valid thing to say. One key figure in this saga, Shawn Richard, has already gone to gaol as a result. Other key figures are considered to include a Hong Kong-based former US lawyer, Mr Jack Flader, who has a long-term record of involvement in what are called boiler shops or securities fraud in a number of jurisdictions.

The interim report of this inquiry notes the view of ASIC chair, Mr Greg Medcraft, that a key problem here is gatekeeper failure, that is to say in particular financial advisers who did not identify the risks that their clients faced and other players such as auditors. I do not dismiss that as being at least a partial explanation, although I am not persuaded it is the complete explanation. I have been surprised to find that a common pattern, as I mentioned earlier, was that the entire balance of a client's self-managed superannuation fund, often built up over many years, was put into a product like the ARP Growth Fund and, in turn, went into very risky offshore investments.

I would like to make three observations about the report and the observations that might be drawn at this stage of the inquiry. Firstly, consistent with what I have said before, it appears that a significant element of what occurred here was criminal conduct. It was put to the inquiry by one witness, who appeared on a confidential, in camera basis, that if you were looking for the perfect financial crime, what you might well do was attract money from a range of investors, put it into risky products such as swaps and then say to the investors, 'Look, I'm so sorry. As we all knew this was a risky investment. The risky outcome has occurred and you won't be getting any money back.' That might well be a very effective cover for what is in fact a criminal venture.

I want to record that I am not yet satisfied that that possibility has been adequately explored by ASIC and APRA, nor am I yet satisfied that these regulators have in place, or that there is in our regime, sufficient protection against criminality in the retirement-saving system in Australia—that is to say the threat of Australians retirement savings being misappropriated by criminal elements. Let us not forget that the Australian retirement savings pool at \$1.3 trillion, one of the largest such pools in the world, is obviously therefore a very attractive target to those interested engaging in fraudulent conduct. The same witness I mentioned earlier made the point that one of the other reasons why the retirement income system in Australia is very attractive for those wanting to carry out financial fraud is that because the individual member of a fund does not claim on the fund until they reach retirement age, it may well be 10, 20 or 30 years before a fraud or a crime is discovered. The second observation I would like to make is that I am not satisfied that sufficient efforts have been made to pursue Jack Flader, the gentleman who is alleged—I repeat, alleged—to have been a mastermind of this scheme, and who is certainly reported to have been involved in fraud, boiler room operations and the like, in a number of jurisdictions. I have asked questions in the committee process about the options open to Australian regulators to pursue international fraudsters preying upon Australian investors, and I have been given answers in general terms as to the availability of treaties, extradition arrangements and so on. But my own view is that there has not been persuasive evidence provided to the committee that Australian regulatory authorities have pursued Jack Flader with maximum possible vigour with a view to determining whether he is in fact responsible—as the evidence allows an inference to be drawn—for defrauding many thousands of Australians of their retirement savings.

The third observation I would like to make comes back to the point which was made by ASIC Chairman Mr Greg Medcraft about gatekeeper conduct. I want to speak particularly about a gentleman formerly known as Paul Gresham, who has now changed his name to Tony Maher. It might be said that the mere act of changing your name raises a suspicion, but of course there may be a reasonable basis to change your name. What we do know is that Paul Gresham has recently granted to ASIC an enforceable undertaking permanently preventing him from working in the Australian financial services industry. We also know that he was a financial planner who was responsible for putting a number of his clients, including constituents of mine, into the ARP Growth Fund. Certainly ASIC is to be commended for having required him to provide this enforceable undertaking. They note, in their media release announcing it, that Mr Gresham, as he was then known, received undisclosed payments of more than \$2 million arising from investments he recommended for ARP and its predecessor called Professional Pensions Pooled Superannuation Trust.

As I have indicated, when you look at the kinds of investments that the contents of these self-managed superannuation funds went into, it is very hard to see how they were appropriate investments or an appropriate

mix and spread of investments of different risk classes to provide for the retirement incomes of the members of those self-managed superannuation funds.

I do, however, want to make the observation that it would be, in my view, unsatisfactory if the only sanction that were visited on Mr Maher, formerly Mr Gresham, is that he is prevented in the future from working in the financial services industry. Of course he is entitled, like anybody else, and like anybody I have spoken about today, to the presumption of innocence. But should inquiries find that the actions that ASIC have taken are based on factual circumstances that could be proved to a criminal standard then, in my view, it would be entirely appropriate to pursue action against him, and I would certainly encourage ASIC and other appropriate regulators not to cease their engagement with this matter with the obtaining of an enforceable undertaking.

Debate adjourned.

National Broadband Network Committee

Report

Debate resumed on the motion:

That the House take note of the report.

Mr TURNBULL (Wentworth) (17:49): This is the second report on the progress of the National Broadband Network, and it is fair to say that it has not progressed very far. There are 4,000 active customers of the NBN, of which less than half are actually connected to the fibre network, which was, of course, the centrepiece of the whole project. We were advised by the company—and it is reported here in this report back in September—that as at 30 June, the NBN Co. had passed 18,000 premises with its fibre rollout. In January the company published a press release in which it said that as at December 30 it had passed 18,000 premises, which can only lead us to conclude that in the intervening six months between the end of June and the end of December it had passed no additional premises.

The progress seems very slow. That is being too kind—it seems to have been nonexistent. There is also a very unsatisfactory standard of reporting the progress from the company. It treats this committee as though it is an enemy. It treats the committee as though its objective is to avoid giving it any information. It is a matter of immense regret and disappointment to me that here we have a telecommunications company wholly owned by the Australian taxpayer and the largest infrastructure investment in Australia's history, and yet the level of its accountability to the public through the NBN committee in this parliament is much less than the level of accountability of a publicly listed company to its shareholders and, of course by that medium, to the whole of the world. It does seem ironic that the telco which the Commonwealth government no longer owns—Telstra—is more forthcoming, more transparent and more accountable than the telco which it owns 100 per cent and is pouring tens of billions of dollars into.

There are many examples of the unsatisfactory nature of the information that is being provided, and I will not delay the committee with every example, but take the area of greenfields. These are essentially areas of new housing developments as opposed to brownfields areas, which are already built up. On page 17 of this progress report there is a statement referenced from the NBN Co.'s chief executive, Michael Quigley, saying that the company has passed 65,000 lots. Five dot points further down the page there is a reference to the shareholder ministers saying that the NBN Co. has exceeded its expected target with 75,000 lots passed. You would think from those two numbers that the rollout in the greenfields area was going along very well.

However, the department has subsequently had to correct this and said that instead of passing 75,000 lots—and by 'passing', what we mean is that the cable has actually gone down the street and is passing, literally, the premises concerned and is available to be connected, so it is just a question of hooking it up—that these two figures are in fact wrong. They have written to the committee and said that instead of passing 75,000 lots, the real state of progress was that the NBN Co. has:

... received approximately 1700 applications from developers ... with 1188 active applications covering—
not passing—
approximately 75 000 lots ...

So that means that they have had 1,188 letters from developers saying, 'We'd really like you to come and roll out fibre in my brand new housing development,' and the sum total of all those letters is 75,000 lots. Those are two completely different things. We were given the impression they had actually rolled the fibre past 75,000 lots, but, no, all they have is letters from developers saying, 'Please come and roll fibre out at some point in the future.'

All of this raises more questions than answers. What is the difference between an application and an active application? When are contracts actually signed? How long are people having to wait between putting in an application and signing a contract? How long does it take for the contractors of the NBN to actually turn up to

PROFESSIONAL PENSIONS PST

CHANGE OF TRUSTEE

TRUST COMPANY SUPERANNUATION SERVICES LIMITED
(ABN 49 006 421 638)
("Retiring Trustee")

resigned as Trustee on 11 June 2004, and agreed to the appointment of

ASTARRA CAPITAL LIMITED
(ABN 33 001 277 256)
("New Trustee")

The New Trustee has appointed

PERMANENT TRUSTEE COMPANY LIMITED
(ACN 008 419 913)
("Custodian")

to hold legal title to all assets of the Trust. The Custodian is a member of the Trust group of companies, the parent entity of which is Trust Company of Australia Limited.

BANK ACCOUNT

Deposits must no longer be made to the NAB accounts of the former Trustee.

Please ensure all cheques, EFT's or periodic payments are directed to the following account of the Custodian:

Account Name: PERMANENT TRUSTEE COMPANY LTD ACF PROFESSIONAL
PENSIONS PST SUPER OPERATING ACCOUNT

Bank	ANZ
BSB	012 003
Account	8374 35954

Mr E J Gaden
Gaden Provident Fund
144/5 Wulumay Close
BALMAIN COVE NSW 2039

Dear Sir,

23 July 2004

**Re: PROFESSIONAL PENSIONS PST
GADEN PROVIDENT FUND 100382**

Our records show the following represents the abovementioned Unitholder's beneficial interest in the Professional Pensions PST as at 30 June 2004.

Division	No. of Units	Redemption Price per Unit(\$)	Market Value
Balanced Growth (Exempt)	263,778.5177	2.9779	\$785,506.05
International Equity (Exempt)	95,218.7023	3.2719	\$311,546.07
Cash			\$ 0.00
Total Redemption Value			\$1,097,052.12

The Trust complies with the requirements of the Superannuation Industry (Supervision) Act and the Income Tax Assessment Act in relation to Pooled Superannuation Trusts. With the exception of the International Equity (Exempt), Balanced Growth (Exempt) and Gold (Exempt) Divisions, the Trust pays tax on its taxable income (including realised capital gains) at a rate of 15%. Unitholders are not subject to capital gains on realisation of units.

Yours faithfully,



Shawn Richard

For and on behalf of the trustee of the Professional Pensions PST

**PROFESSIONAL PENSIONS PST
ASSET ALLOCATION ANALYSIS AT 30/06/2004**

	Australian Equities	Overseas Equities	Direct Property	Property Trusts	Australian Fixed Interest	Overseas Fixed Interest	Cash	Total
	%	%	%	%	%	%	%	%
Balanced Growth	33	13	9	11	20	0	14	100
Balanced Growth (tax-exempt)	38	14	9	9	16	0	14	100
International Equity	0	86	0	0	0	0	14	100
International Equity (tax-exempt)	0	86	0	0	0	0	14	100
Capital Guaranteed	9	0	0	0	0	0	14	100
Gold	80	0	0	0	54	0	37	100
Gold Exempt	80	0	0	0	0	0	20	100

The above table lists the asset allocation of each Division at 30/06/2004.

Based on these figures the asset allocation of the GADEN PROVIDENT FUND (Account No. 100382) at 30/06/2004 was as follows:

	\$	%
Australian Equities	299,121	27.26
Overseas Equities	374,758	34.16
Direct Property	72,502	6.61
Property Trusts	71,245	6.49
Australian Fixed Interest	128,195	11.68
Overseas Fixed Interest		
Cash & Short Term Securities	151,309	13.79
Total	1,097,130	99.99

Note that the total may vary to that stated in the quarterly statement of account due to rounding to whole dollars.

PROFESSIONAL PENSIONS PST (the "Trust")

GADEN PROVIDENT FUND
(Account 100382)

Lised below are the effective net after tax returns over the past three financial years, together with the effective annualised return over the 3 years ending 30 June 2004.

Year to 30 June 2002	-7.47%
Year to 30 June 2003	-4.21%
Year to 30 June 2004	18.61%
3 Years to 30 June 2004	1.68% p.a.

The performance by the manager of the Balanced Growth Divisions of the Trust, Maple-Brown Abbott Ltd, is admirable relative to the 28 "Balanced Pooled Funds" surveyed by Frank Russell Company in the attached "Risk/Return" scatter chart. However I am not satisfied with "relative" performance which bearily matched cash.

With the object of increasing the "Absolute Return" of both Balanced Growth Divisions, the Trustee has accepted my recommendation to close the Trust to new invstors and replace the current single management structure to realise the new "Investment Objective and Philosophy" attached hereto.

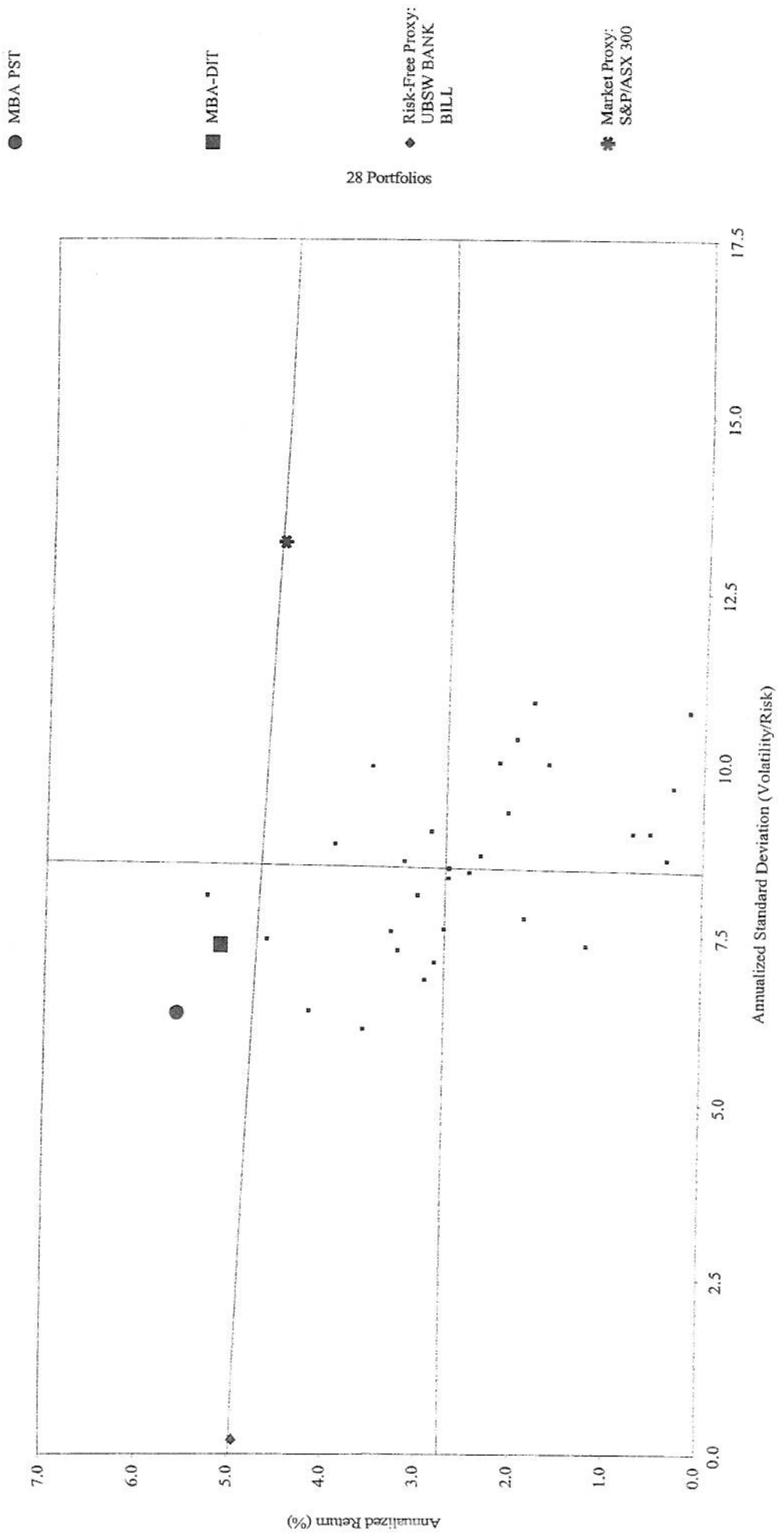
With the object of increasing the "Absolute Return" of both Balanced Growth Divisions, the Trustee has accepted my recommendation to close the Trust to new invstors and replace the current single management structure to realise the new "Investment Objective and Philosophy" attached hereto. Investments have been made in both the Silverhall Gillieston Unit Trust and Huntleigh Investment Fund Limited. Due dilligence is currently being undetaken in respect of the funds selected to manage the portfolio of Professional Pensions ARP Limited.

The poor performance of BT during fiscal 2001 and 2002 continues to be a severe drag on the return of the International Equity Divisions. Platinum Asset Management continues however to well outperform the 28 "Australian Overseas Equities" managers surveyed by Frank Russell Company in the attached "Risk/Return" scatter charts.

PAUL A GRESHAM

9 August 2004

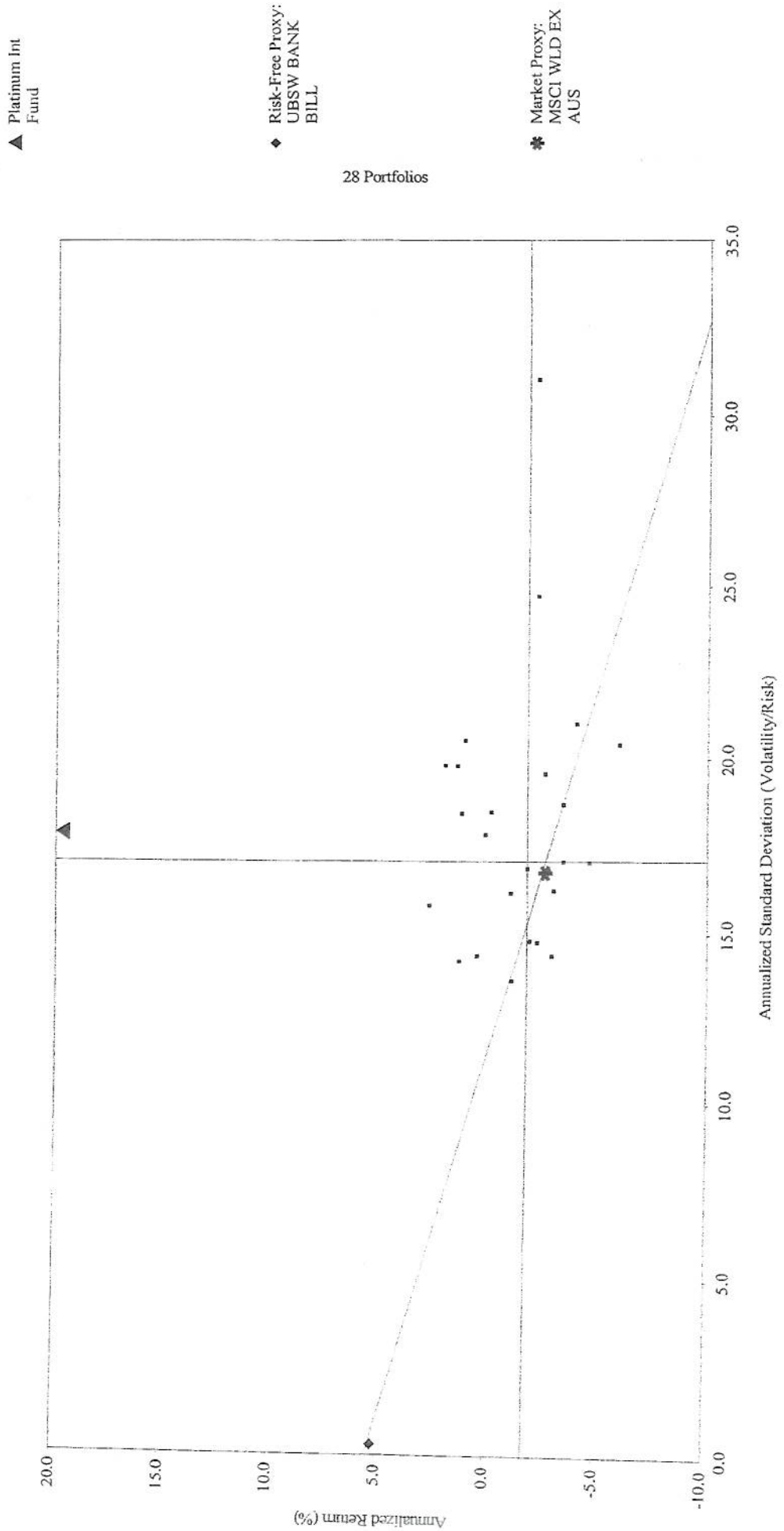
BALANCED POOLED FUNDS
3 Years Ending Wednesday, 30 June 2004
 (Professional Pensions PST Managers)



AUSTRALIAN OVERSEAS EQUITIES

5 Years Ending Wednesday, 30 June 2004

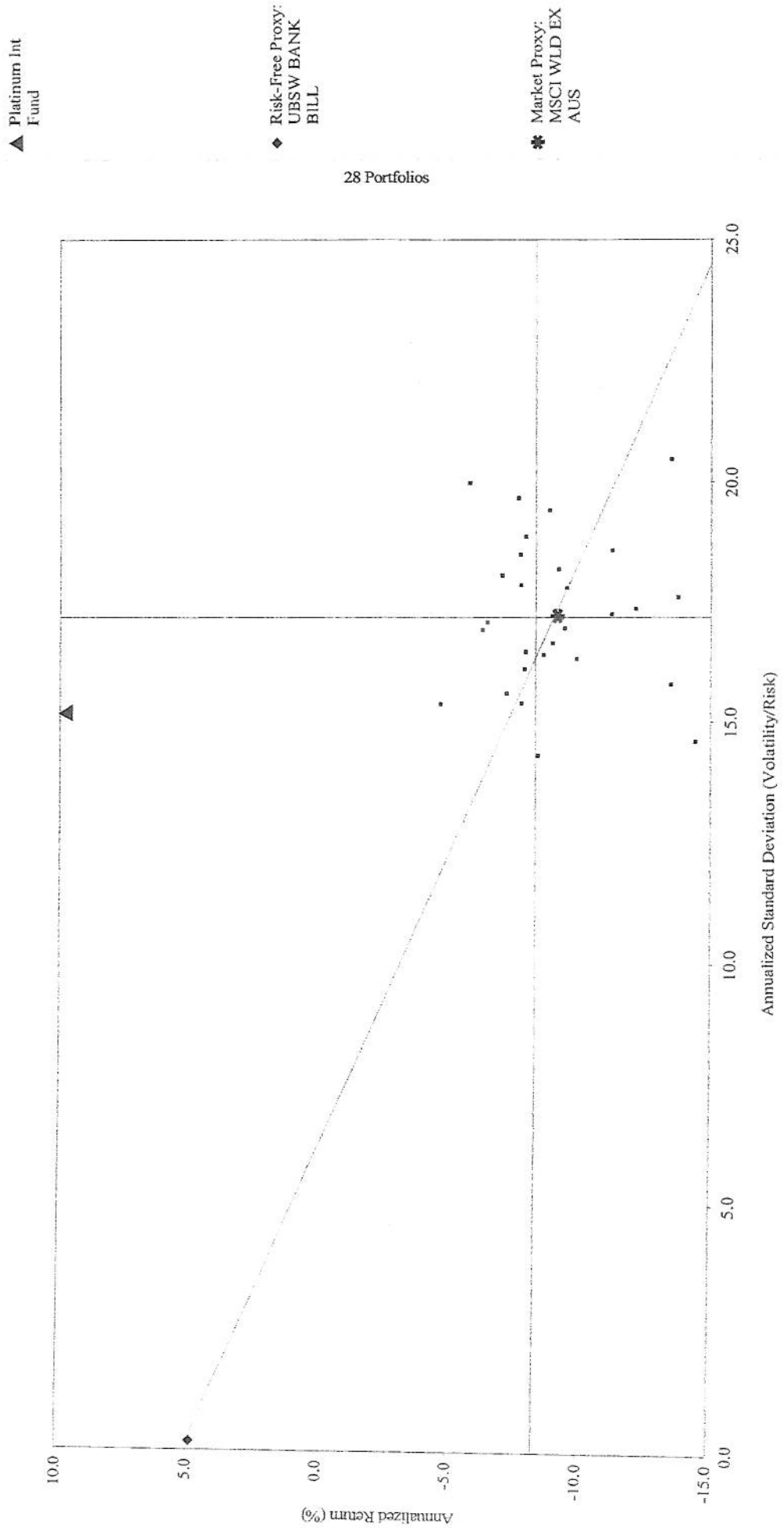
(Professional Pensions PST Managers)



AUSTRALIAN OVERSEAS EQUITIES

3 Years Ending Wednesday, 30 June 2004

(Professional Pensions PST Managers)



PROFESSIONAL PENSIONS PST

Australian Pooled Superannuation Trust
regulated by the Australian Prudential Regulation Authority
The "Approved Trustee" of which is

Astarra Capital Limited

(ABN 33 001 277 256 Australian Financial Services Licence No 238000)
which has appointed

Permanent Trustee Company Limited

Custodian to hold assets and title documents of the Trust
which are managed within each of the following Divisions

International Equity Divisions

managed by Platinum Asset Management

Gold Divisions

managed by PST Management Pty Ltd

Capital Guaranteed Division

managed by Colonial Mutual Life

Absolute Return Portfolio Divisions

(formerly known as Balanced Growth Divisions)
buying and holding non-voting redeemable shares of

Huntleigh Investment Fund Limited

A foreign mutual fund company employing 2 strategies

Buy-Write (covered call)

Convertible Arbitrage

Professional Pensions ARP Limited

A foreign mutual fund company investing in 2 Master Funds

Archimedes Master Fund Ltd

5 Derivative Based Strategies

Indexed Linked Futures Fund

Short term trading

Medium term trading

Long term trading

Short Volatility

Pythagoras Master Fund Ltd

5 Security Based Strategies

Emerging Markets & Macro Hedge

Buy-Write

Long/Short Market Neutral

Arbitrage

Opportunistic/Event Trading

and long term direct Australian property via

Silverhall Gillieston Unit Trust

Managed by Silverhall Gillieston Pty Ltd (ABN 40 105 919 659)

INVESTMENT OBJECTIVE & PHILOSOPHY

The investment objective of the Trust is to achieve returns in excess of 15% p.a. with annual standard deviations below 15% p.a. over rolling three year (Balanced Growth Divisions) and five year (International Equity, Gold Fund Divisions) periods. This objective does not apply to the Capital Guaranteed Division, which seeks returns in excess of the UBSW 90 day Bank Bill Index over rolling three year periods.

It is not the objective of each Division to achieve 15% p.a. over periods less than three and five years. Consequently, **Unitholders having an investment horizon of less than three years are advised against investing in the Balanced Growth Divisions. Similarly Unitholders having an investment horizon of less than five years are advised against investing in the International Equity and Gold Fund Divisions.**

In order to achieve a minimum 15% p.a. risk adjusted return, the structure of the portfolio must be such that it profits from both rising and falling markets across a diverse array of investment opportunities. Instead of simply looking to maximize risk-adjusted return through long equity positions and covered option positions, the portfolio is managed through a diversity of managers and strategies overlaid with a diverse array of technically based trading programs.

Limiting the issue of new units in the Trust to existing unitholders, allows for the cash holding of each Division to be tailored specifically to recurrent redemption requirements. This significantly reduces the risk of liquidating investments at an inopportune time. In addition, the short term (monthly) volatility of the portfolio need not constrain the investment managers judgment.

We agree with Harry Markowitz¹ that the **“appropriate action sequence for an investor is to first identify the level of risk he or she is comfortable handling, and then construct an efficient diversified portfolio of low covariant stocks”**². As managers of a large closed fund, we would replace the words “portfolio” with “fund”, and “stocks” with “portfolios”, and utilize an advanced risk management model that automatically adjusts exposure based on market volatility and correlation.

¹ Nobel Prize, Economics 1990

² Markowitz H, Portfolio Selection: Efficient Diversification of Investment, 1959