



PACIFIC  
WEALTH CREATORS

# RETURNS ANNOUNCEMENT

**April 20, 2006**

## **Pacific Wealth Creators announces investment return data**

Leading New Zealand investment manager, Pacific Wealth Creators Ltd, today announced the average portfolio return for the year to 31 March 2006.

**The average net portfolio return for the previous year is 14.9% after fees. The three year average return is 18.2% after fees.**

Pacific Wealth Creators' founder and chief research analyst, Mr James Clague said, "It is always pleasing to report these levels of returns to clients. Because client portfolios consist of just a handful of quality holdings, clients can enjoy following these businesses they partly own and they understand the direct link between quality investments and the returns they produce. This is rare in the funds management industry since there is most often a total disconnect between clients investing in funds where money is pooled together and the eventual investments or holdings."

Currently all investments are in Australian companies, although some of those companies also have significant operations in NZ. The in-house research at Pacific Wealth Creators covers listed companies across both countries but where we end up investing will depend on where the opportunities present themselves.

Mr Clague says, "Quality businesses worthy of clients' money are difficult to find if an investment manager is doing their job properly, i.e. if their criteria are strict enough. And quality businesses available at a 'value' price are even harder to find. For this reason neither market will be favoured over the other."

Speaking on the quality of management of listed companies in general, Mr Clague said "One of the greatest challenges as a research analyst today is to

find companies whose management are not short-term focused and not acting in their own self interest. The widespread and excessive use of stock options has, in my mind, created a destructive attitude within the senior ranks of business. The majority of arguments in support of issuing options are, in my mind, flawed, or at best weak."

"Imagine as a CEO, potentially receiving a million dollars worth of options for a years work, over-and-above your salary. All you need to do in order to qualify for this benefit is increase the bottom line by a certain percentage. You can't find the revenue growth so you slash a few costs to increase bottom-line profit. Now you're in the money - \$1m worth of it! Yet cutting those costs may well be detrimental to the future performance of the business. And remember that \$1m doesn't consider the future loss of value suffered by the existing shareholders as a result of the ownership dilution that has taken place."

Pacific Wealth Creators will only invest in companies whose management display a strong ownership attitude. This means they usually have much of their own hard-earned cash invested in the business also.

***About Pacific Wealth Creators Ltd***

*Established in 2000, Pacific Wealth Creators is a leading boutique investment research house based in Auckland, New Zealand managing private client portfolios/funds. It is one of the only investment management companies with only performance-based annual fees. This sets it apart as an investment management operation whose interests are directly aligned to those of its clients – to grow client funds.*

*As a research house Pacific Wealth Creators conducts its own research of NZ and Australian listed companies and is one of the only investment companies with a true value-investing approach.*

*For further information visit [www.pacificwealthcreators.co.nz](http://www.pacificwealthcreators.co.nz)*

**Further Information:**

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