Mystery over Huljich cash

The scheme's trustee refuses to discuss payments to investors, writes Rob Stock.

MYSTERY COMPENSATION payments were made to investors in the twilight days of the troubled Huljich KiwiSaver scheme, new accounts reveal.

The accounts, filed recently with the Companies Office, show an ''ex gratia payment'' of $17,625 to investors in the scheme, a sum that had apparently been paid to the manager from scheme assets ''as brokerage for arranging investments for the scheme''.

A further $56,851 of ''compensation'' was paid to investors in the conservative fund for an unspecified ''administration error'' and they were also issued $3510 worth of units.

Founder Peter Huljich refused to add anything to the statements in the scheme's final financial report.

''All that we wanted to say about them has been said in the statements,'' he said.

The manager, Huljich Wealth Management, now renamed HWM (NZ) Holdings, was paid a management fee for running the scheme, but in its prospectus reserved the right to have ''certain expenses'' reimbursed.

There was no mention of the manager being able to charge brokerage on top of management fees, and former director Don Brash, now the leader of the Act Party, said such payments would have been ''unusual''. Brash resigned as a director in October 2010, halfway through the period in which the payment was made, and said he knew nothing about it.


Business

HULJICH FUNDS UNDER FIRE

Former Huljich director Don Brash. Below: How the *Star-Times* reported the Huljich story in February last year.

Brash said the $56,851 payment might relate to a foreign exchange transaction which was made by mistake, and the directors decided the management company should bear the cost.

Huljich is facing charges, which he denies, of making ''misleading and false statements'' in the scheme's registered prospectus and investment statements during periods in 2009 and 2010 relating to ''compensation'' he admits paying after poor investment decisions affected savers in the scheme.

The latest financial statements, covering the 14 months to May 27, reveal these were not the only compensation payments made before the scheme was closed.

Though the more recent payments appear unrelated to the current court proceedings, the trustee for the scheme, Trustees Executors, would say only that the matter is subject to court proceedings and would not comment.

The bulk of the scheme's assets have since been transferred to Fisher Funds' KiwiSaver scheme.

The Huljich scheme was very popular with investors, whom it recruited through stalls in supermarkets and malls, as well as through the Mike Pero mortgage chain.

Despite the troubles which made headlines and forced Huljich's resignation, the scheme managed to amass more than $230 million of savings. Nearly $78.5m of savings transferred into it from other KiwiSaver schemes in the last two years of its existence.

Of the more than $230m in the scheme at the point it was closed, $190.8m went to Fisher Funds and $38.8m into other schemes.

Investment minnow still in limbo

By TIM HUNTER

DISCONTENT IS simmering among shareholders in listed investment minnow Salvus Strategic Investments ahead of a special meeting to decide whether the business lives or dies.

Among those with keen but divergent interests in the outcome are fund manager Brian Gaynor of Milford Asset Management, fund manager Chris Swasbrook of Elevation Capital and private investor Simon Wallace.

Salvus, whose shares have consistently traded for less than its assets were worth, said in February it was considering winding up and returning capital to shareholders.

The gap between the share price and asset value led some investors to buy up stock in expectation of a cash payout. Among them was Swasbrook, who bought a 5% stake in the months after the February announcement at prices mostly between 76c and 80c a share.

Wallace, meanwhile, made a takeover offer in April for 19.9% at 78c a share. Salvus shares at the time were trading around 80c, while its net asset value – mainly shareholdings in other listed companies – was 94.4c.

The offer did not get many takers and Wallace is understood to have a stake of about 4.5%.

The wind-up was due to be decided in August, but on July 22, Salvus chairman Kim Ellis announced another option would be available – to replace Salvus fund manager Andrew Couch with Milford.

Asset bases: Chris Swasbrook, right, says the suggestion of a deal with Brian Gaynor is huge U-turn.
Photos: Getty, left; Phil Doyle/Fairfax

Milford's Aggressive Fund owns 17.4% of Salvus, mostly acquired from the late Allan Hubbard's Hubbard Churcher Trust Management in March last year, when the shares were trading around 65c. Gaynor has been a Salvus director since then.

A third option, proposed by Wallace, emerged on August 3. The idea was to sell up all the assets and hand the money back to shareholders, but keep the listed shell of Salvus to use as a back-door listing vehicle.

The new options mean the vote has now been delayed till early-to-mid October and investors are keen to see the issue decided.

''This deal with Gaynor is a big U-turn,'' said Swasbrook. ''It's taking an incredibly long time for what should be a simple process.''

Although his preference was for a liquidation, Wallace's scheme had merit, he said.

''If you get another roll of the dice through a back-door listing, why wouldn't you do it?''

Wallace said his option would save the cost and delay of liquidation. Assuming a net asset value of 90c a share, a straight capital return would cost about 0.5c a share and offer potential upside if a new business could be listed through the shell, he said, while liquidation could cost about 1.25c share.

Wallace has long been interested in backdoor listings, although his previous experience was not a resounding success.

After buying into office furniture maker Damba in 1997, Wallace tried to diversify away from furniture and renamed the firm Cube Capital, aiming to fund an acquisition strategy with share issues. After several deals failed to produce results, Cube was left as a listed shell and became the backdoor listing vehicle for SmartPay in 2006.

Wallace said he had learned from past mistakes.

''I'm not going to be muzzled by the threat of Brian Gaynor digging some dirt on me in my history,'' he said. ''I don't care about that. We all have histories and done good things and some not so good things.

''I haven't got a blameless history but I don't think anybody else does, either.

''I've done my best always and I can say I've always been honest, albeit I might have been a mean bastard at times.''

Gaynor said he had no intention of bringing up Wallace's past. ''I don't know where he got that from,'' he said. ''We're looking at the merits of this [issue], not what may have happened 10 years ago.''

Milford's intentions for the fund are not clear as it is generally acknowledged Salvus is too small to be viable in its current form, although Gaynor is understood to be keen to avoid the exit of another listed company from the stock exchange.

Ellis said the independent report from Simmons Corporate Finance would evaluate all the options for shareholders and when it was available the board would make its preference clear.

Salvus shares are currently trading around 80c while those of its assets – the likes of Skellerup, Freightways and Pumpkin Patch – are worth about 88c. At current prices, a wind-up would return about $18 million to shareholders.