

CANOPUS INVESTMENTS Limited

Investment Advice Sharebroking Managed Funds Fixed Interest Property Company Formations Trade Mark Registration

P O Box 101 662
North Shore Mail Centre
Auckland
New Zealand

Phone: +64 9 444 8055
+64 9 444 8056
Fax: +64 9 444 8059
Websites: www.canopus.co.nz
www.debentures.co.nz

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Investment Directions

14 December, 2009

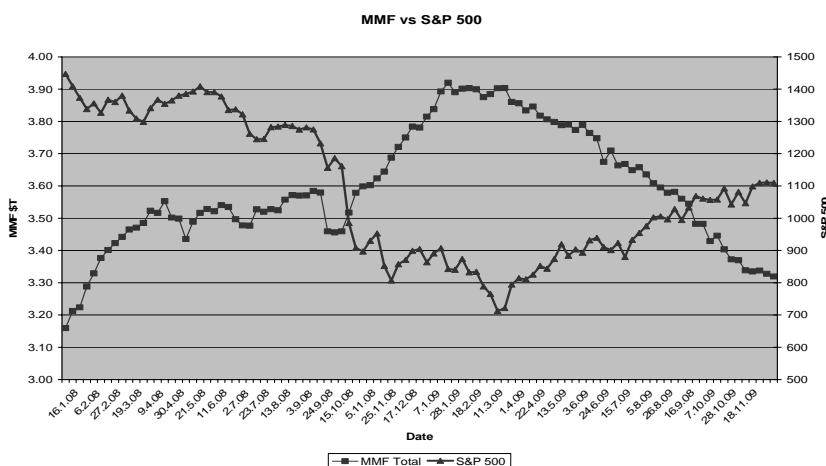
"Opportunities to outcomes"

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1. Overview

Sharemarkets continue consolidating, with Australasian markets down about 4% from peaks reached in mid October while the S&P 500 eked out a small gain of just under 1% during the same period. US Money Market drawdowns over the past month amount to less than half a percent, indicating further equities market consolidation rather than another major move, either up or down over the next month.



RBNZ left the Official Cash Rate at 2.5% on 10 December, but signaled a rise may occur by mid 2010 rather than the “second half” as previously indicated. Australia raised its official cash rate to 3.5% on 1 December, increasing the AUS/NZ differential still further. Hence downward pressure on the NZD/AUD should continue.

Positive news for equities:

- US interest rates to remain low well into 2010.
- US GDP swung +ve in Q3, first since 2Q 2008.
- India followed China with sharp GDP increase in September quarter of 7.9% p.a.
- NZ dwelling consent issuance rises although building construction still depressed.
- Milk powder prices rose again on 1 December to NZ\$3560 per tonne.
- Bank of Japan to inject US\$115B into world’s second biggest economy to fight deflation.
- US unemployment unexpectedly fell in November to 10.0% from 10.2%.
- US \$700B TARP extended to October 2010. Quantitative easing and Fed asset purchases could be extended =continued high liquidity.
- US Bond auctions still receiving strong support, both external and onshore.
- US house prices up on extended tax credits and declining inventories.
- Corporate profit outlooks improving.
- US dollar likely to resume gradual decline but not collapse.
- Downward trend in US unemployment – although weekly results volatile.
- Improving employment situation in Australia.
- Continuing large reduction in US trade deficit as oil imports decline.

Negative news for equities:

- Large percentage of US house sales being forced by mortgagee (30%) even though prices up.
- 23% US homeowners now owe more on mortgage than house is worth (“underwater”)
- US house prices expected to decline again in 2010 as foreclosures increase.
- Dubai World, wholly owned subsidiary of Dubai Government, sought deferment of US\$60B debt repayment.
- US unemployment still increasing, but at slower rate.
- Prospect of Ukraine defaulting on loans – European banks exposed.
- S&P downgrades sovereign debt of Greece, places Spain on –ve watch.

Still a mixed bag but overall temporary weak spots in commodity markets, resulting from short term negative news, are still being viewed as buying opportunities for oil, gold and other commodities by China and other major emerging economies. Major equity markets continue to respond in unison as risk aversion ebbs and flows.

Keeping our finger on the pulse of major Leading Economic Indicators (LEI) and leading data:

	Latest	Nov 09	Oct 09	Sep 09	Aug 09	Jul 09	Jun 09
3 month LIBOR	0.256%	0.28%	0.29%	0.35%	0.48%	0.48%	0.66%
TED Spread (points)	23.5661	20.9916	23.6014	17.938	22.073	30.39	41.749
VIX equity volatility	23.69	24.51	30.69	25.61	26.01	25.92	26.2
US LEI			+0.3%	+1.0%	+0.4%	+0.9%	+0.8%
Japan LEI			+1.7%	+2.7%	+3.1%	+3.5%	+2.5%
Eurozone LEI			+0.9%	+1.0%	+1.9%	+1.6%	+1.3%
Australia LEI				+0.3%	+1.5%	+0.5%	+1.1%
United Kingdom LEI				+1.0%	+0.9%	+0.5%	+1.1%
China LEI				+1.67%	+1.70%	+1.94%	+1.7%
US Money Market Funds \$T	3.319	3.328	3.370	3.429	3.560	3.636	3.666

At this stage leading economic data continues to be positive right across the board although the rate of improvement has eased off in most cases.

2. New and Current issues

- 2.1 Liontamer Gold fund
- 2.2 South Canterbury Finance – 8% with NZ Government Guarantee
- 2.3 Man AHL Gold (AUD)
- 2.4 Mint Asset Management New Zealand Australia Real Estate Investment Trust
- 2.5 Man AHL Alpha (AUD)
- 2.6 GoldmanSachs JBWere Trans Tasman Equity Unit Trust

2.1 Liontamer Gold Fund

A very limited offer from Liontamer to invest in a new gold fund created specially as a rollover opportunity for a fund maturing early on Liontamer's customized platform.

New investors have only this week to submit applications.



Key points of the fund:

- 100% capital protection at maturity.
- 150% participation rate of Liontamer Gold Index (measures the price of raw gold in US dollars).
- A gain equal to any movement in the Index (capped at 66.6%) multiplied by the Participation Rate is paid at maturity. The maximum return is 100%.

- 6 year term.
- Liquidity - exits are available on any business day during the investment period. This is intended as a hold-to-maturity investment and the formula of returns only applies at maturity. There are no restrictions on the value of the assets of the Fund at the time of exit and you should bear in mind that you may get back significantly less than you invested and you will incur an exit fee of 2%.
- Minimum investment NZ\$5000, currency hedged to New Zealand dollar.
- Entry fee discounted to 1% on applications submitted through Canopus.
- No annual management fees taken from your investment.
- **Closing date 18 December 2009. i.e. only this week to make an application.**
- Applications will only be accepted when made on the application form that accompanies the Investment Statement.

As time is very short for this fund, please scan or fax me a copy of your application before sending original by post.

Click here for a copy of the Investment Statement or email info@canopus.co.nz or telephone (09) 444 8055 for a copy.

2.2 South Canterbury Finance Limited



South Canterbury Finance

Key points of the issue:

- 8.00% p.a. interest rate
- NZ Government Retail Deposit Guarantee applies for full term
- Maturity date 11 October 2010
- Nil application fee on applications lodged through Canopus Investments Limited
- Offer likely to be withdrawn before Christmas

Download the Investment Statement and application form by clicking here http://www.debentures.co.nz/SCF_IS.pdf or contact Canopus info@canopus.co.nz or telephone (09) 444 8055 for a copy.

2.3 Man AHL Gold (AUD)

A new investment targeting the AHL Diversified program and gold.

Contact Canopus info@canopus.co.nz or telephone (09) 444 8055 for a copy of the prospectus.

2.4 Mint Asset Management New Zealand Australia Real Estate Investment Trust



PIE registered New Zealand Unit Trust predominantly investing in property companies and trusts listed in New Zealand and Australia. MANZREIT provides access to a portfolio of major property trusts and companies in a sector just starting to emerge from the Global Economic Crisis.

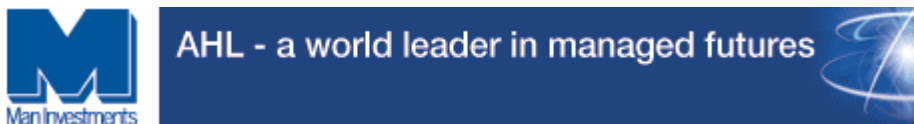
Key points of the issue:

- Objective return gross 90 Day Bank Bill Rate + 3% p.a.
- Total return asset class providing a combination of income and growth
- Liquidity – no restriction, open ended fund
- Unit pricing daily
- Actively managed, currency hedging at manager's discretion
- Minimum investment NZ\$5000, \$2000 each subsequent investment
- Nil entry fee on applications lodged through Canopus Investments Limited

Download the Investment Statement and application form from http://www.debentures.co.nz/Mint_IS.pdf or contact Canopus info@canopus.co.nz or telephone (09) 444 8055 for a copy.

2.5 Man AHL Alpha (AUD)

New fund from Man Australia structured as a unit trust, based on the AHL Alpha Program and allowing investor to choose between distribution of annual profit or reinvestment. Fund is available only to New Zealand and Australian residents.



For full details of the Fund and access to the PDS and application form, follow this link <http://www.maninvestments.com.au/manahlalpha/adv/canopus> or Contact Canopus info@canopus.co.nz or telephone (09) 444 8055 for a copy.

2.6 GoldmanSachs JBWere Trans Tasman Equity Unit Trust

A fund with an excellent track record and well placed to achieve strong gains from a sharemarket recovery. Managed by Goldman Sachs JBWere Asset Management (NZ) Limited, based in Auckland, the Trust invests in listed companies or companies that intend to list in Australia and New Zealand with the intention of achieving capital growth in rising share markets and protecting capital in flat or falling markets. The Fund is actively managed (not an index fund) and provides access to a portfolio of carefully selected Australian and New Zealand shares which may include some of the larger listed companies such as Contact Energy, Fletcher Building and BHP Billiton.. For a copy of the latest report contact Canopus.

Key Features of the GS JBWere Trans Tasman Equity Unit Trust:

- Established September 1998
- Low minimum initial investment NZ\$2000
- Low minimum additional investment NZ\$1000 or NZ\$250 with regular savings plan
- Entry fee discounted from 3% to 1.0% by Canopus Investments Limited
- Management fee 1.0% per annum
- Fund size NZ\$24.1 million
- Registered as Portfolio Investment Entity (PIE)
- New Zealand dollar denominated – not currency hedged
- New Zealand domiciled – no foreign investment tax complications

For an investment statement and application form contact Canopus info@canopus.co.nz or download from http://www.debentures.co.nz/TTEUT_IS.pdf

3. Equities

In the October “Investment Directions” I mentioned that if markets could make it through the December quarter without major damage, the New Year could well bring a new round of enthusiasm for equities. The objective seems to be on track, with current dips in major share prices offering good buying opportunities. Forward P/E ratios on major Trans-Tasman shares are not at all excessive, many lying in the 12 to 15 range with still more under 20.

Pyne Gould Corporation share price (PGC) remains lethargic even after its highly successful capital raising pulled in approximately \$270m, allowing the Group to progress plans for conversion of Marac Finance into a registered bank as well as repaying debt and seeking new acquisition targets. PGC stands to be further strengthened by a successful outcome to the current capital raising being undertaken by PGG Wrightson, in which PGC holds nearly 20%. Success of the PGW cash issue looks assured, being underwritten and with rights selling at 15 cents above the exercise price. Further good news for rural-service company PGW arrived in the form of increased milk powder prices and dismissal of a US class action against new cornerstone shareholder Agria.

Allied Farmers shares risk hitting “penny dreadful” status if the Hanover deal goes ahead and many new shareholders seek an early exit. At super low prices, ALF shares may look attractive but the vast number of shares on issue is likely to be significantly reduced before long by consolidation – perhaps on a one for three basis or even more. Theoretically a consolidation does not affect market capitalisation of a company but in practice the whole does not usually equal the sum of the parts and those holding the consolidated shares often experience a loss of value.

Synlait Milk and DNZ Property IPO share offers have both collapsed following poor investor support. BioVittoria IPO is still in the market but already has been extended twice, apparently struggling to attract even the minimum subscription of \$8m. Kathmandu, the only IPO to get past go recently and listed with great fanfare at a small premium, now quietly trades below issue price.

Perversely, failure of these intended NZX listings is good news – indicating local equity investors are finally getting the message about the abysmal history of NZX IPO floats in which private investors are actually offered shares.

When evaluating an IPO, New Zealand investors *must* consider the following points before investing:

- Are existing owners selling out or staying committed to the business?
- Will new capital raised be used to benefit the business through expansion, debt repayment etc. or just be channeled to the bank accounts of former owners?
- What will be company gearing (debt/equity ratio) after the float?
- Are large institutional investors interested in the float?
- What financial forecasts are given in the prospectus and are they believable?
- Is the new company a “one shot wonder” – i.e. does it just produce one product or service? History of these operations is particularly poor.
- Do the directors have real and sound experience in the sector or have “big names” been appointed just to add credibility?
- Is the enterprise likely to suffer political interference by being viewed as a “strategic asset” in future?
- Do you even know how many shares you will get for your money? Has a share price been set or does it depend on a “book build” process?
- If the shares are readily available –why? Historically, institutions and big brokerage clients get allocated the few good IPO’s in New Zealand while private investors get offered only the “pig in a poke” junk.

4. Fixed Interest and Finance Companies

Time to expiry of the existing Government Retail Deposit Guarantee Scheme is now just over 9 months. Two companies have made special offers timed to mature just inside the scheduled expiry date of 12 October 2010. These offers are not expected to remain open much longer. Top finance company current debenture stock rates with a minimum deposit of \$10,000 or less and with a full term Government Deposit Guarantee are:

Issuer	Term	Rate p.a.	\$ Minimum	Interest Payment
Marac Finance	3 months	4.75%	\$1,000	quarterly
South Canterbury	6 months	6.00%	\$100	quarterly
Marac Finance	6 months	6.00%	\$1000	quarterly
Fisher & Paykel	9 months	6.00%	\$1000	quarterly
Equitable Mortgages	11 Oct. 2010	7.00%	\$10,000	quarterly
South Canterbury	11 Oct. 2010	8.00%	\$100	quarterly

For the full range of finance company debenture stock deposit rates see

http://www.debentures.co.nz/debenture_stock.html

Applications will only be accepted when made on the application form that accompanies the investment statement for each issue. Contact Canopus for a copy of the Investment Statement info@canopus.co.nz or call (09) 444 8055 for more information.

South Canterbury Finance is expected to publish a newsletter within the next few days, outlining further re-financing plans. Re-financing could well see rich-lister Chairman and major shareholder, Allan Hubbard, float his private investment vehicle Southbury Holdings, with new capital raised being directed into South Canterbury. Southbury is the sole ordinary shareholder of South Canterbury. CEO Lachie McLeod, who oversaw South Canterbury’s ill-fated venture into property development funding, has left the Company at short notice, effective from 30 November this year. Nigel Gormack of Hubbard Churcher and Co., Chartered Accountants, will act as interim CEO until a permanent appointment is made. Three new independent directors have already been appointed. In announcing McLeod’s resignation, Allan Hubbard didn’t mince words – reportedly saying that “McLeod had disappointed some in the company, including staff and directors””I suppose we've

made a record loss in this last year, so normally someone has to take the blame for it don't they?"

Five finance companies have so far achieved the "BB" rating or better, qualifying them to apply for the Crown Retail Deposit Guarantee Extension – out to 31 December 2011. Although participation fees will be high, status accruing to participating entities should see all qualifying non-bank deposit takers apply. Amendments to the current scheme mean issuers can offer both government guaranteed and non-government guaranteed debenture stock concurrently.

Government guaranteed and non-government guaranteed 2 year debenture stock rates are now shown separately on the New Zealand Debentures Exchange home page at <http://www.debentures.co.nz/index.html> . Although the non-guaranteed issuer sample is small, the margin for non-guaranteed stock is currently about 2.5%.

I would not expect this margin to contract as the sample expands. It could well increase as those companies not qualifying for the Extended Retail Deposit Guarantee Scheme return to lending and compete for funds.

Once the Extended Government Guarantee is removed altogether (31 December 2011), I would expect to continue with separate 2 year debenture rate averages – one investment grade and one sub-investment grade.

Interest rates, both deposit and lending, look set to rise in Australasian markets, led by the Reserve Bank of Australia. Reserve Bank of New Zealand is now expected to tighten monetary policy in the first half of 2010, rather than the second half predicted earlier by Governor Allan Bollard. So far the expected base rate increase has not been felt to any appreciable extent in the debenture stock market, still distorted by the Retail Deposit Guarantee.

See <http://www.debentures.co.nz/2YearDebentureStock.pdf>

5. Property

Opportunities exist in the listed property trust sector even though recent property devaluations have resulted in some LPTs trading above Net Asset Value. Although the outlook remains tough over the next 12 months with Auckland (and other) CBD office vacancies still rising, big commercial property valuation writedowns should now be over. Generally the listed property sector is in a much stronger position than just 12 months ago, with many trusts having aggressively sold assets and raised capital. Gearing ratios are now comfortable.

The sector currently offers an important avenue for profitable diversification of a portfolio, especially now that the worst seems to be over and equities face more consolidation.

6. Investment Strategy

Recent soft share prices for some of our major corporates have pushed short term oscillators into "oversold" territory, opening useful purchasing opportunities for those wanting to acquire certain shares or add to existing holdings. Such short term technical indicators do have some use. Forget about financial gurus making bold long term predictions based on exotic combinations of "Super" Elliot waves and Fibonacci numbers.

Any day now, Allan Hawkins is expected to bid for market minnow Cynotech Holdings, thus removing a once promising little company from the bourse. I expect any half-decent offer will be

accepted by most shareholders who have seen their investment dissolve steadily since Cynotech's ill-considered attempt to raise capital via a "capital securities" issue earlier in the year turned into a fizzer. The experience hasn't helped our reference portfolio but client portfolios weren't exposed.

Our Portfolio Unit Value Charts can be seen at http://www.canopus.co.nz/investment_advice.html

The logic surrounding predictions of increasing commodity prices, particularly gold, oil and base metals, is hard to deny. Hedging against inflation, a lower US dollar and expectations of increased demand predominate. With so much positive sentiment towards the asset class, entry at a useful price can be difficult. Investors should be careful not to chase up any spikes. Purchase on weakness where possible. A number of commodity funds are now available.

Contact Canopus for more information info@canopus.co.nz

Income seeking investors should still keep deposits short and within the Government Guarantee while possible. The current 7% and 8% p.a. offers from Equitable Mortgages and South Canterbury Finance respectively provide some opportunity for diversification at good rates within the current Government Guarantee. Both offers are likely to be withdrawn before Christmas.

Income investors need to position themselves for the day when no Government deposit guarantee exists at all and take early action to compile a low risk, higher return investment portfolio as opportunity allows. Such a portfolio could include major listed equities showing good yields, investment grade bonds and debentures plus listed and maybe unlisted property securities.

Canopus can advise on personal investment portfolio allocations but please contact me sooner rather than later. Compiling an effective investment portfolio takes time.

Contact Canopus now for personal investment advice. An initial advisory interview is free.

Best wishes to all for a Merry Christmas and Happy New Year. Enjoy safe holidays.

Regards,

Alan King
Canopus Investments Limited
Email: alan@canopus.co.nz
Tel: +649 444 8055

Financial Adviser Disclosure Statement available on request, free of charge.

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