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

Investment Directions **18 June, 2009**

"Transforming opportunities into outcomes"

In this Issue

1. Overview

The Reserve Bank of New Zealand held the Official Cash Rate steady at 2.5% on 11 June, underpinning the NZD. RBA, Bank of England, Bank of Canada and European Central Bank all held rates steady as well as the "Great Recession" shows signs of abating and talk turns to how central banks could reverse their massive injections of liquidity should inflation start to emerge. But with recent economic stimulatory packages, including "quantitative easing" (creation of new money) not yet replacing the vast amount of wealth destroyed during the Global Economic Crisis (GEC), unemployment still rising and world growth still negative, real inflationary concerns should be a year or two away yet.

A cautious New Zealand Budget on 28 May, aimed at controlling big increases in Government debt to preserve the Country's credit rating, held few surprises. Suspension of NZ Superfund contributions is not as sinister as suggestions that Superfund investments may become subject to political direction – perhaps, even failed property developments! To be effective the NZ Super Fund needs to be established as an independent entity, safe from political meddling, or its future looks grim indeed.

Economies reliant on manufactured exports continue to suffer. In addition to Japan, China and other

Asian nations, European industrial production is reported to be down 5.4% in April and – 21.6% on a year earlier. However, China is reported to have reversed its decline in manufacturing, if not exports, by way of huge stimulatory packages to increase domestic demand. China is now the world's biggest vehicle market, selling 4.96 million units, (+14%) compared to the US on 3.95 million (-37%).

Commodity exporting economies, particularly Australia with its vast mineral resources and proximity to Asia, look set to be primary beneficiaries of the Chinese recovery. Although some New Zealand agricultural commodities may face difficulties from European and US subsidies, overall the economy remains closely aligned with that of Australia. Australia retains its S&P rating of AAA while New Zealand's long term foreign currency rating has improved from AA+ (negative watch) to AA+ (stable). Australasian banks remain sound. Stimulatory packages in Australia, although significant, remain limited in comparison to US, Europe and Asia while New Zealand has done no "quantitative easing" at all. Despite budgetary restraints aimed at preventing a blowout, NZ Government debt is still forecast to reach 43% of GDP by 2016/17, but even this remains modest with respect to 70% reached in the 1980's.

Theoretically at least, the New Zealand dollar should be vulnerable to the persistent current account deficit, but for now these concerns seem more than offset internationally by problems elsewhere – particularly massive restructuring demands in the US (Chrysler, GM, banks etc.) and, to a lesser extent, potential Eastern European banking bombs. Those seeing the NZD as over valued look at one side of the coin only. Overall, continuing USD dollar weakness seems to be the dominant currency story, but don't expect a crash. China and Japan are still buying US Treasury Bills and Bonds and, despite rhetoric, would not want to see a serious decline in the value of a currency in which they are so heavily invested. In addition, the US trade deficit decreased dramatically in February to $26B (from $62.5B last August) its lowest level in 9 years, while 2008 saw the US current account score its first reduction in 5 years.

Keeping our finger on the pulse:

	Latest	May 09	April 09	March 09
3 month LIBOR	0.62438%	1.02%	1.19%	1.26%
TED Spread (points)	46.67	52.643	89.15	99.103
VIX equity volatility	30.81	30	36	43
US Leading Economic Indicators			+1.0%	- 0.3%
Japan LEI			- 2.9%	- 3.7%
Eurozone LEI			+1.8%	+0.1%
Australia LEI				+0.4%

US Leading Economic Indicators turned positive in April for the first time in 7 months. Japan remains in negative territory but elsewhere improvements show through – credit availability continues to grow while equities volatility decreases. Sustained improvement awaits global house price and employment stability but those still seem months away. Unfortunately we still have no figures for China.

Global equities look set for a period of consolidation after a strong run up during the past three months. Volumes are generally low compared to the down trend break out in March and subsequent run up, suggesting a pause rather than start of another major sell-off. Large amounts of US Treasury TARP funds, ($68B at last count) set to be repaid by bailed-out US banks, have helped recent positive sentiment. Despite the repayments, US banks still enjoy Federal support in the form of Government guarantees for bank bonds, effectively enabling issuance at sub-normal rates.

US equity weakness over last few days seems more of a reality check as S&P downgraded 18 US banks, US Q1 current account deficit came in greater than expected at $101B, but still improving as imports shrink more than exports and US May industrial production slid -1.1% (c.f. -1.0% expected).

2. New and Current issues – new Liontamer, Man OM-IP and Pathfinder funds

2.1 Liontamer Australia Series 1
2.2 Man OM-IP 2AHL
2.3 GoldmanSachs JBWere Trans Tasman Equity Unit Trust
2.4 Pathfinder Commodity Plus Fund
2.5 Senior Retirement Village Trust

2.1 Liontamer Australia Series 1 – Australian sharemarket fund

LIONTAMER PROTECTED INVESTMENTS

Like most economies, Australia has been significantly affected by the global downturn and the local sharemarket has in turn fallen dramatically - as at the end of May 2009 the S&P/ASX 200 Index is down around 40% from its peak in 2007. However, Australia is known as the ‘lucky country’ for good reason. It is abundantly rich in natural resources and superbly located close to the world’s factory floor, Asia. The Australian government has acted swiftly to implement a comprehensive stimulus package backed by the lowest cash lending rates in its history – all measures designed to help Australia rebuild sustainable economic growth over the coming few years. Liontamer believes that over the medium term Australia could provide a strong recovery story.

Key features of Liontamer Australia Series 1:

- **Nil Entry fee for applications through Canopus Investments Limited.**
- Closing date 9 August, 2009. The offer may close early or be extended.
- No annual management fee charged by Liontamer.
- Exit fee. 2% prior to maturity and for all repurchases at or after maturity.
- Investments in Liontamer Australia Series 1 are available to residents of New Zealand, or a country other than Australia to whom it is lawful to make the offer.
- Early bird interest. Application Amounts received during the period of the Offers will be deposited on your behalf with a bank or other financial institution selected by New Zealand Permanent Trustees Limited and will earn Early Bird Interest until two Business Days before the Issue Date. Early Bird Interest will be calculated on a daily basis from the date on which the Application Amount is received in cleared funds to two Business Days before the Issue Date. Any Early Bird Interest earned by you during the period of the Offers after deduction of any withholding tax will be applied towards purchasing additional Units in the Trust. Any surplus after rounding will be donated to the humanitarian organisation, World Vision.

Unprotected Units:

- **Please note that unprotected units are subject to limited availability. For a firm allocation, contact Canopus Investments without delay.**

- Capital protection. None. In the event that the Movement in the Index is negative at maturity, your capital will be reduced on a 1 for 1 basis with the fall in the Index. Your capital is fully at risk.
- Return. 160% of any positive Movement in the Index (i.e. 1.6 x the rise in the Index); and 100% of any negative Movement in the Index (i.e. 1.0 x the fall in the Index).
- 5 years
- Minimum investment NZ$5000. This is a New Zealand dollar denominated investment.
- Early maturity feature - none.
- Liquidity. Quarterly exits are available, but you should bear in mind that you may get back significantly less than you invested and you will incur an Exit Fee of 2%. 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 unit price prior to maturity. The price will reflect the value of the Assets of the Fund at the time of exit.

Protected Units:

- 100% capital protected at maturity.
- Return. 100% of any positive Movement in the Index (i.e. 1.0 x the rise in the Index).
- 6 years
- Minimum investment NZ$5000. This is a New Zealand dollar denominated investment.
- Early maturity feature. If the Assets of the Fund corresponding to the Protected Units reach a value of $1.60 within the first three years of the relevant Investment Period, Liontamer will seek to arrange the termination of those Assets of the Fund and, if so, your Protected Units will be repaid.
- Liquidity. Quarterly exits are available, but you should bear in mind that you may get back significantly less than you invested and you will incur an Exit Fee of 2%. This is intended as a hold-to-maturity investment. Capital protection plus the Index Linked Return only apply at maturity. Early exits are only possible at a maximum value of $1.00 (less the exit fee), unless exceptional circumstances exist; for example death or financial hardship. In exceptional circumstances, if the Assets of the Fund equate to a Unit value above $1.00, this higher amount, less the exit fee, can be paid.

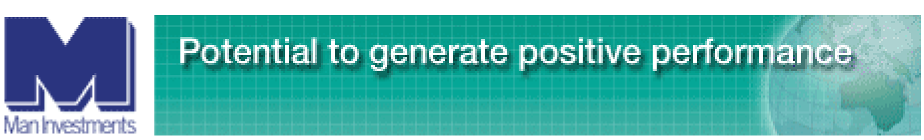
Contact Canopus info@canopus.co.nz for an investment statement or telephone (09) 444 8055 or download the Investment Statement and application form by clicking here.

2.2 Man OM-IP 2AHL

Latest managed futures fund in the OM-IP series from Man Investments Australia, providing capital protected access to the Man AHL Diversified Program, underlying trading program of the established Man OM-IP series of hedge funds.

Nil entry fee on applications lodged through Canopus Investments Limited

Click here to download prospectus and application form.



New capital protected OM-IP managed futures fund based solely on the AHL Diversified trading program which underlies the OM-IP 220 series and many other successful OM-IP funds. AHL

Diversified (AUD) Limited, also based solely on this program, produced an outstanding result of +35% for the year ended 31 December 2008 while major sharemarket indices plunged -30% to -50%.

Contact Canopus info@canopus.co.nz if you would like to receive a copy of the prospectus by post. Applications will only be accepted when made on the application form that accompanies the prospectus.

2.3 Pathfinder Commodity Plus Fund

The Fund invests in securities designed to track the benchmark index (which is the Deutsche Bank Liquid Commodity Index Mean Reversion Plus Access denominated in US$). The Fund targets 100% hedging into NZ$.

Cost efficient access to the growth potential of world commodities. Seeks to reduce periods of negative return by allocating between commodities and cash investments in response to market conditions.

Key features:

- Open ended fund – no set closing date
- Minimum investment NZ$25,000
- Entry fee discounted 50% to 1.5% by Canopus Investments Limited.
- Monthly liquidity.
- No capital protection.

Click this link for the Investment Statement and application form Pathfinder Commodity Plus Fund or contact Canopus by email info@canopus.co.nz or telephone (09) 444 8055.

2.4 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 JB Were 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$30.5 million
- Fund rating, Fundsource 5 star
- 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

2.5 Senior Retirement Village Trust

The Senior Retirement Village Trust has closed earlier than the scheduled 30 June closing date, fully subscribed, after raising $6.5 million.

3. Equities

"Share Purchase Plan" offers of new shares to existing shareholders by Fletcher Building, Freightways and Sky City Entertainment proved highly successful, resulting in heavy over subscriptions for all issues and large scaling of applications, with Freightways being oversubscribed about ten times! Other major companies may well adopt this practice for raising capital in future. Evidence of "stagging" emerged as some investors sold to take a quick profit. But those selling pre-issue to fund new shares under the purchase plans will have been disappointed at the small allocations – and may now find themselves holding a lot less of these well-regarded shares than they did earlier.

Sir Ron Brierley announced that he will not yet retire from GPG's Board and that the proposed return of substantial shareholder value will now most likely be delayed until after 2010 – all owing to the current global economic climate. It is expected the return of shareholder value awaits sale of GPG investments, including major holding Coats - sales unlikely to prove possible or beneficial at this stage. In mid May, GPG Directors estimated the Net Asset Value per share as NZ$1.41. Pre the recent 1:10 bonus, GPG shares sold at around 78 cents. Even allowing for the delayed return of shareholder value, GPG offers considerable upside.

BHP Billiton has been boosted by announcement of a 50/50 joint venture with Rio Tinto to develop the giant Pilbara iron ore resource in Western Australia, after Rio withdrew from a planned deal with Chinese State-owned Chinalco to provide capital for the same venture. Rio Tinto shareholders have been asked for cash via a deeply discounted share offer while BHP shareholders have been asked for no direct contribution at all. Instead, BHP will pay A$5.88B to Rio for a share of the joint venture. A shareholding in BHP provides investors with de facto access to a wide range of commodities: base metals, precious metals, oil and energy. Market speculation says BHP is planning a much bigger acquisition than the Rio Tinto deal – maybe up to A$40B.

NZX market minnow Cynotech has made a curious bonus issue of NZDX-listed 9.25% p.a. preference shares to existing shareholders just prior to offering those same prefs to the public via a registered Prospectus and Investment Statement. At a time when major corporate bonds are being issued around 9%, why would anyone pay $1 for a 9.25% Cynotech Pref. – particularly when they might be able to buy the same thing on market at 75 cents for a yield of over 12%? Perhaps Directors are counting on family, friends and associates to fill the relatively small issue of just $10 million which seems to be intended to fund renewed lending from Cynotech's finance company Budget Loans.

4. Fixed Interest and Finance Companies

Our benchmark 2 year deposit rate chart at http://www.debentures.co.nz/2YearDebentureStock.pdf continues to show how singularly unsuccessful Reserve Bank efforts have been at reducing interest rates over the past four months.

NZ Government Bond sales are set to rise dramatically from $5.5B in 2008/09 to $15B by 2012, to fund deficit budget spending as tax cuts are deferred and tax revenue falls, keeping upwards pressure on long term deposit and lending rates in general. Also, banks are still finding the wholesale market for funding over 12 months expensive

In contrast, at the short end, the LIBOR rate has fallen so far that banks are now finding short term international funding more readily available and less expensive, even though the LIBOR remains well above pre-crisis levels of 0.1% – 0.2%.

The implication is that floating and short term mortgage rates should fall, but customers well know not to hold their breath. The deposit yield curve from banks should continue to steepen.

Our finance company debenture yield curve at http://www.debentures.co.nz/YieldCurve.pdf reflects the demand for longer term money, steepened by uncertainty over future of the Government's Retail Deposit Guarantee Scheme. To date no extension or determination of the scheme has been announced, forcing finance companies to increase longer term deposit rates to attract funds outside the scheduled guarantee term. While future of the scheme goes unresolved, finance company lending will remain largely on hold, despite the emergence of better quality lending opportunities, as the companies hoard cash for possible future liquidity needs. Adding to the confusion, doubt has been cast on whether any deposits placed with approved institutions through "Wrap" investment management platforms are actually covered by the Guarantee at all. Treasury is expected to clarify the situation but has failed to do so up till now.

Time to expiry of the Government Retail Deposit Guarantee Scheme is now 15 months.
Top finance company current debenture stock rates with full term Government Deposit Guarantee are:

Issuer	Term	Rate	$ Minimum	Interest Payment
NZF Money	6 months	4.60% p.a.	$10,000	quarterly
UDC Finance	7 months	4.60%	$ 5,000	on maturity, closes 30 June
Fisher& Paykel	9 months	4.75% p.a.	$ 1,000	quarterly, +0.25% loyalty bonus
PGG Wrightson	10 months	4.90% p.a.	$10,000	quarterly
FAI Finance	12 months	6.35% p.a.	$ 1,000	quarterly, monthly
Finance Direct	14 months	6.25% p.a.	$ 1,000	quarterly
NZF Money	15 months	5.75% p.a.	$ 1,000	quarterly, loyalty rate applies

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.

No corporate bond issues are available right now but this type of fixed interest security remains popular. Lead time to request firm allocations for these issues is usually very short – only a few days, so investors wanting to participate in forthcoming issues should notify Canopus in advance of their expected interest and possible firm allocation requirements. Indicating interest in a firm allocation does not commit you to accepting any issue or amount that may be made available to you, but does greatly assist Canopus in estimating its overall reservation request.

Investors are also reminded that most of these corporate bonds can be purchased later off the NZDX secondary market.

5. Kiwisaver

KiwiSaver members are reminded that the KiwiSaver year ends on 30 June, so those wanting to top up contributions to gain the maximum Government tax credit of $1042.86 per year should act right away. Contributions can take up to a couple of weeks to be deposited and recorded, so don't leave it until the last days of June.

The sooner you join, the greater the advantages. With Government and employer subsidies matching or exceeding the member's own contributions, no other investment comes close. Depending on personal circumstances there is an optimum amount to contribute to achieve maximum benefits in each member's case.

KiwiSaver's major advantages:

- Open to all permanent New Zealand residents under the age of 65.
- All members, including children under 18, receive the standard $1000 kick-start from the Government.
- There is no cost to join and babies can be signed up as soon as born.
- Even if you or your child make no additional contributions, at age eighteen your child will be entitled to investment returns from the initial $1000 compounding up to 18 years, plus, from age 18 on:

- Government matching contributions up to $20 per week ($1042.86 per year).
- Employer contribution of 2% salary minimum for employees.
- A first home subsidy of up to $5000.
- Entitlement to withdraw all your own contributions, employer contributions and investment returns to put towards a first home (or subsequent home in some circumstances).

Canopus Investments Limited is an accredited agent for the Huljich KiwiSaver Fund, one of the top performing KiwiSaver funds to date. For full details of the Huljich KiwiSaver Fund, contact Canopus for a copy of the Investment Statement info@canopus.co.nz or call (09) 444 8055 for more information.

6. Investment Strategy

With equities looking to consolidate, short term weakness may be expected. Holding our current hand looks like a reasonable equities strategy for now but participation in any well-priced special issues from solid companies should still be advantageous.

The expected listed property trust scenario is playing out with big property valuation write downs resulting in big reported losses and additional capital needs – to be met through assets sales into a very difficult market and/or new equity issues. Listed property trust problems aren't over yet as occupancy rates are expected to fall, impacting real distributable profits and further depressing property values. At some stage though, the situation will reverse, with rising occupancy and property valuations giving the sector a real boost. Judicious timing into certain listed property trusts could then result in exceptional gains from a traditionally stable sector, but that time is still months away at least.

Man Investments Australia is reviewing the investment allocations of certain OM-IP funds that did not match the fine performances achieved by the OM-IP 220 series and the pure AHL trading program during the major sharemarket decline from October 2007 to March 2009. Consequently several OM-IP funds currently carrying allocations to alternative investment strategies will be concentrated solely in the AHL trading program from 1 July this year. OM-IP Funds earmarked for the adjustment are:

Man OM-IP Hedge Plus
Man OM-IP MultiStrategy
Man OM-IP 320 Diversified
Man OM-IP Strategic 1 and Strategic 2
Man OM-IP Stratum
Man OM-IP Multi Strategy

Existing investors in the affected funds will be able to exit at current Net Asset Value in the normal manner if not wanting to participate in the restructured funds, but the change should be beneficial and we will stay in.

The current pull back in equity prices should provide an excellent start for the new Liontamer Australia Series 1 Trust, enabling the reference ASX 200 index to commence at a level below recent highs, with the unprotected units offering a large 160% increase on any gain in the index thereafter. Remember that the total amount of unprotected units on offer is subject to limitation, so those wanting to reserve an allocation should contact Canopus without delay. Protected units are not subject to limitation and may be applied for in the normal manner. See Section 2.1 of this newsletter for details.

Investors seeking income can still purchase recent bond issues from the NZDX secondary market. Rabobank PIE Capital Securities (AA- S&P rated) have had their coupon rate set at 8.7864% p.a. based on a 5 year swap rate of 5.0364% plus the prescribed margin of 3.75%. Amongst bond issues this is a generous margin. The coupon rate holds until June 2014 when it will again be reset using the same formula - adding the 3.75% margin to the 5 year swap rate prevailing at that time. Hence investors can benefit from any general rise in interest rates during the intervening years.

For all expressions of interest, investment statements and application forms, contact Canopus info@canopus.co.nz . Indications of interest do not involve an obligation of any kind.

Canopus offers a flexible investment advisory approach covering a broad range of assets and asset classes with payment based on fees, commissions or a combination of both to suit the investor. Contact Canopus info@canopus.co.nz or telephone 09 444 8055 for more information or to arrange an initial discussion free of charge.

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.

Please note - you have been sent this newsletter by post because Canopus does not have an email address for you on record. If you would like to receive “Investment Directions” by email, please send your email address to info@canopus.co.nz

Receiving “Investment Directions” by email ensures you will receive important investment information in a timely manner.