

# CANOPUS INVESTMENTS Limited

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

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## Investment Directions

22 May, 2010

*"Analysis to action. Opportunities to outcomes"*

### In this Issue

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### 1. Overview

Australia raised its OCR to 4.5% in May while New Zealand stayed on 2.5%. The pace of rises may slow or even come to a halt in Australia just as New Zealand takes its first increase, still expected in June or July. Closing of the wide differential is anticipated by the market with the Kiwi/AUD cross rate rising steeply from 80 to 82.4 in only three days.

In addition to Euro-induced flight from commodity currencies to the "Safe Havens" of USD and Yen, the AUD has been hard hit by renewed concerns over possible slowing of growth in China with a consequent fall in hard commodity demand, plus Prime Minister Kevin Rudd's proposed 40% "Super Profits Tax" on mining companies – potentially large enough to stymie investment, production and jobs in the huge Australian resource sector.

In contrast, New Zealand's "soft" commodities, represented by the ANZ Commodity Price Index, continue to surge for now, led by dairy exports. NZ's trade balance improved in March, to a surplus of \$567m compared to March '09 – larger than expected, with logs and wood up 16% on demand from China. This timber boon could well be lost under New Zealand's one-off, unilateral Emissions

Trading Scheme as loggers may have to pay back their carbon credits to cut trees.

Finance Minister Bill English's Budget on 20 May takes from the poor to give to the poor, with GST rising to 15% to finance minimal tax cuts at the low end. Age-old tax rorts using property investments to conceal high incomes for Government family support purposes have been addressed but the expected taxation windfall won't eventuate as the wily will simply take their money elsewhere. Company and personal tax rates have been adjusted to give the impression of tax reform, but the real issue of massive Government wastage remains to be addressed. Pointless ministries, authorities and quangos continue to flourish at taxpayer expense. The really wealthy and Government sponsored have done well. The rest have to wait for trickle down.

Budget commentaries, calculating net benefits from tax cuts offset by the GST rise, universally ignore the impending inflationary price wallop coming from National's Emission Trading Scheme, starting on 1 July. This nonsensical scheme, encompassing the full range of industrial production and hitting hard at electricity and transport, cannot help but push up costs in every corner of the New Zealand economy. The farming sector, claimed by Nick Smith to be exempt from the ETS until 2015, will be immediately hit with enormous direct fuel and power cost increases.

New Zealand's ETS was predicated on Australia and other major trading partners introducing similar compatible schemes – such that damage to competitiveness would be largely balanced and neutralized across the trading block. With all New Zealand's major trading partners (including Australia) abandoning the ETS idea or not even considering it in the first place, isolating this small economy in a state of economic self flagellation is just absurd. Driving capital, jobs and production away from New Zealand's largely "clean" power to countries heavily reliant on coal-produced electricity (including Australia) makes no sense at all. The net result can only be increased greenhouse gas emissions overall.

Imposition of this unfortunate experiment on the populace is more about saving political reputations than saving the economy or planet - and will only be abandoned when the obvious political negatives outweigh the erstwhile perceived political positives.

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

	Latest	Apr 10	Mar 10	Feb 10	Jan10	Dec09	Nov 09
3 month LIBOR	0.4775%	0.29%	0.25%	0.25%	0.25%	0.26%	0.28%
TED Spread (points)		19.2392	15.926	13.7089	18.0104	20.2972	20.9916
VIX equity volatility	45.79	22.05	17.59	19.50	24.62	21.68	24.51
US LEI		-0.1	+1.3%	+0.4%	+0.6%	+1.2%	+1.1%
Japan LEI			+2.3%	+1.2%	+2.5%	+2.0%	+1.7%
Eurozone LEI			+1.0%	+0.5%	+0.9%	+0.9%	+0.5%
Australia LEI				-0.3%	-0.2%	+0.6%	+0.1%
United Kingdom LEI			+1.0%	+0.7%	+0.8%	+0.4%	+0.9%
China LEI			+1.1%	+0.4%	+0.8%		
US Money Market Funds \$T	2.844	2.872	2.983	3.166	3.224	3.293	3.324

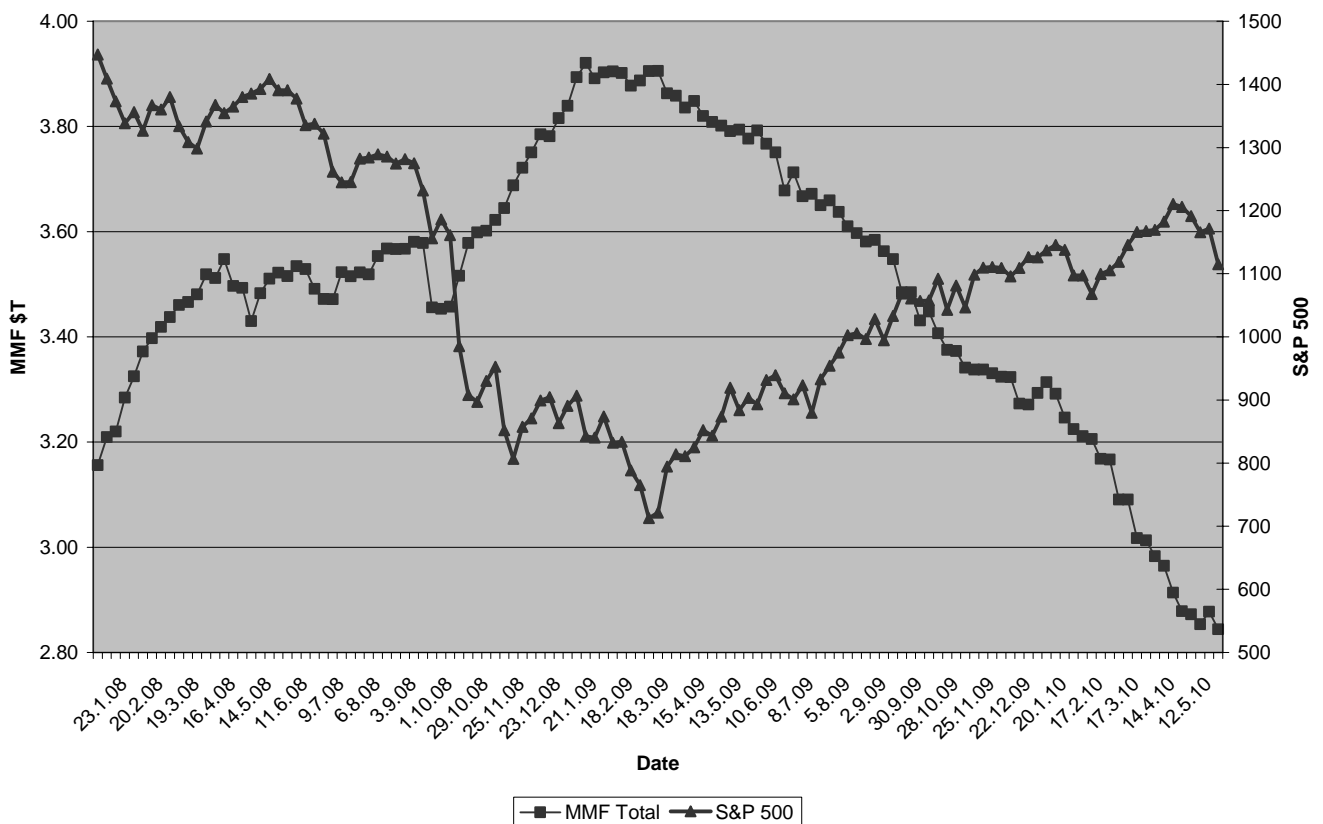
3 month LIBOR, TED Spread and VIX equities volatility have all taken major hits from the Euro zone debt problems, with VIX returning to levels not seen since the depth of the Global Financial Crisis in March 2009. In contrast, major economy leading economic indicators remained quite robust to the end of March, although Australia and US may be leading a more widespread decline.

Good news, including increased new home sales in UK, rising industrial production in Germany, US and UK plus improving corporate profitability and employment worldwide has been swamped by

serious concerns over Eurozone sovereign debt and potential fallout from probes into major bank practices during the prime mortgage crisis. Allegations of GoldmanSachs promoting mortgage funds of dubious quality, against which favoured clients could sell short, are now followed by suggestions a number of other major institutions have been doing the same thing. Surprise. Proposed new strict regulations for the US banking sector and Germany’s plan to ban short selling of some securities add more negativity while ongoing Icelandic volcanic eruptions and the Gulf oil spill pressure sentiment still further.

Resulting equity market volatility is being compounded by “flash trading” – the fast reacting computer trading programs of big institutions- all responding to the same technical indicators by multiplying trades all in the same direction. US regulatory efforts to rein in the effects look to be only just starting.

**MMF vs S&P 500**



US Money Market Funds failed to provide a leading indicator for current sharemarket weakness, increasing my suspicions that the relationship is breaking down, especially as the Fed tries to remove stimulus cash from the US system. No indicator is reliable all the time on its own, but taken together they can give an idea of where we are in the economic cycle and thus help determine when may be an appropriate time to move into or out of equity markets.

Whether recent volatility across equity, currency and commodity markets develops into the second dip of a “W” shaped Global Economic Crisis remains to be seen. Despite dramatic media headlines, retracement of indices has so far has been limited compared to 2008/09. The ultimate determinant will be whether Eurozone debt problems can be contained to prevent sovereign default by any member – particularly Greece. Reforms will take time but there’s plenty of slack in the Eurozone. Industrious Germans don’t take kindly to subsidising non-productive lifetime job guaranteed Greek civil servants, while fit 63 year old Greek retirees on government pensions sip coffee in sidewalk cafés. In the short term the Germans have no choice *if* they want the Euro to survive.

China has again increased bank reserve ratios, this time by 0.5%, to help control inflation – especially in property prices. This makes it more difficult for banks to lend. Although regarded as immediately negative by markets, increased banking stability in China has got to be good in the longer term.

## 2. New and Current issues

- 2.1 South Canterbury Finance – 8% with NZ Government Guarantee
- 2.2 Lontamer Global Series 7
- 2.3 Devon Trans-Tasman Fund (ex GoldmanSachs JBWere Trans Tasman Equity Unit Trust)
- 2.4 Mint Asset Management New Zealand Australia Real Estate Investment Trust
- 2.5 Elevation Capital Value International Equities Fund
- 2.6 Man AHL Diversified (AUD)
- 2.7 Man AHL Alpha (AUD)
- 2.8 Man AHL Gold (AUD)

### 2.1 South Canterbury Finance Limited



South Canterbury **Finance**

Key points of the issue:

- 8.00% p.a. interest rate
- Range of terms out to December 2011 maturity. Latest maturity date 31 December 2011.
- Crown Retail Deposit Guarantee Extension applies to all terms for New Zealand citizens and New Zealand tax residents. See [the New Zealand Treasury website](#) for full details.
- Minimum deposit \$100
- Nil application fee on applications lodged through Canopus Investments Limited

Download the Investment Statement and application form by clicking here

[http://www.debentures.co.nz/SCF\\_IS.pdf](http://www.debentures.co.nz/SCF_IS.pdf) or contact Canopus [info@canopus.co.nz](mailto:info@canopus.co.nz) or telephone (09) 444 8055 for a copy.

### 2.2 Lontamer Global Series 7

Global sharemarket fund providing diversified access to five important international economies via their major market indices: United States, Japan, Europe, Honk Kong & UK. Global Series 7 offers fully protected units or unprotected units giving a boosted return.



## Key features of Lontamer Global Series 7:

Nil Entry fee on applications made through Canopus Investments Limited.

- Minimum investment NZ\$5000
- No annual management fee charged by Lontamer
- Exit fee of 2% applies to early withdrawals before maturity and all repurchases
- Available to New Zealand resident investors only
- Closing date for applications 4 June 2010, unless amended by the manager
- Units can be sold or transferred to another investor prior to maturity date
- Early bird interest: during the offer period your investment will be kept on deposit and earn a competitive market rate of interest which is used to purchase additional units of the relevant unit type for you.
- Liquidity: monthly exits available for both types of unit
- Currency: this is a New Zealand dollar investment, your investment is not exposed to currency fluctuations
- Index: Lontamer Global Index <sup>1</sup>

### Unprotected Units

- 145% of the rise in the Lontamer Global Index (i.e. 1.45 times the rise)
- No capital protection at maturity. The units are exposed to any falls in the Index on a one for one basis
- Term: 6 years

### Protected Units

- 100% of the rise in the Lontamer Global Index (i.e. 1.0 times the rise)
- 100% capital protection at maturity \*. This means for each \$1 unit, \$1 is repaid at maturity
- Term: 6 years
- Capital protection by UBS of Switzerland, rated A+ by Standard and Poors

\* Capital protection at maturity only applies to the Protected Units and means you will receive back 100% of the combined amount invested and early bird interest (earned during the offer period) less any entry fee charged (up to 3%, nil on applications made through Canopus) and any exit fee. Capital protection only applies at maturity. Early withdrawals may result in investors receiving back significantly less than they put in, due to market movements, the exit fee and the fund's establishment costs. There is a more detailed description of capital protection in the Investment Statement and the limited circumstances when capital protection may not be available. Capital protection does not apply to the Unprotected Units.

<sup>1</sup> Lontamer Commodities Index: Final Index levels are averaged monthly in the last year for both unit types. Averaging will protect you from any sharp falls in the Index; however in a rising market averaging lessens returns.

For a copy of the Investment Statement and Application Form [click here](#), or contact Canopus [info@canopus.co.nz](mailto:info@canopus.co.nz), or telephone 09 444 8055.

## 2.3 Devon Trans-Tasman Fund

Goldman Sachs JBWere Asset Management (NZ) Limited has been purchased by Devon Funds Group Limited, established by Paul Glass, thus transferring ownership of the GS JBWere Trans Tasman Equity Unit Trust which has now changed its name to the Devon Trans-Tasman Fund. Paul

Glass was one of the founders of Brook Asset Management and during his 20 years in the business has managed a succession of successful managed funds. Under the new ownership, investment style, objectives and management of the fund will remain unchanged

This fund has an excellent long term track record, placing it amongst the best performing New Zealand and Australian equity funds. 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 Devon Trans-Tasman Fund

- Established September 1998
- Low minimum initial investment NZ\$2000
- Low minimum additional investment NZ\$1000 or NZ\$100 per quarter with regular savings plan
- Nil entry fee on applications through 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](mailto:info@canopus.co.nz) or download from [http://www.debentures.co.nz/DevonTTF\\_IS.pdf](http://www.debentures.co.nz/DevonTTF_IS.pdf)

## 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](http://www.debentures.co.nz/Mint_IS.pdf) or contact Canopus [info@canopus.co.nz](mailto:info@canopus.co.nz) or telephone (09) 444 8055 for a copy.

## 2.5 Elevation Capital Value International Equities Fund



New Zealand domiciled PIE registered unit trust managed by Elevation Capital Ltd., established by Chris Swasbrook, former partner of Goldman Sachs JBWere PTY Ltd. The fund invests primarily in listed international equities with a maximum of 10% assets in unlisted equities. The trust is "long only", i.e. it does not invest in short positions or derivatives nor does it utilise leverage. A single currency exposure equal to or greater than 10% of total assets may be currency hedged back to New Zealand dollars. Hence the Elevation Capital Value Fund offers a genuine international equities investment for New Zealand investors with PIE regime tax advantages.

### Key features:

- Target return of NZCPI + 5% p.a.
- Minimum investment of just \$2500 on investments made through Canopus Investments Limited (normal minimum \$5000).
- Open to New Zealand and Australian investors (see Investment Statement for taxation rules applying in Australia).
- PIE regime tax advantages available for New Zealand investors.
- Security of funds being invested in name of trustee.
- Uncommitted cash held in New Zealand dollars.
- Open ended trust - no closing date.
- Ongoing liquidity. Investors can invest for any period although units are only redeemable on a Valuation Day. See Investment Statement for details.
- Units may be sold or transferred to a third party.
- Nil Entry fee on applications made through Canopus Investments Limited.

For a copy of the Investment Statement and Application Form [click here](#), or contact Canopus [info@canopus.co.nz](mailto:info@canopus.co.nz), or telephone 09 444 8055.

## 2.6 Man AHL Diversified (AUD)



24 hour access to more than  
170 international markets

Provides direct access to the AHL Diversified Program, anchor trading program of the OM-IP hedge funds. Click here to access the PDS and application form

[http://www.maninvestments.com.au/ahldiversifiedaud/index.cfm?r\\_id=CANOPUS&CFID=682401&CFTOKEN=57794096](http://www.maninvestments.com.au/ahldiversifiedaud/index.cfm?r_id=CANOPUS&CFID=682401&CFTOKEN=57794096)

## 2.7 Man AHL Alpha (AUD)

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



AHL - a world leader in managed futures



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](mailto:info@canopus.co.nz) or telephone (09) 444 8055 for a copy.

## 2.8 Man AHL Gold (AUD)

An investment targeting the AHL Diversified program and gold.



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

## 3. Fixed Interest and Finance Companies

On 17 May, Fisher and Paykel Finance joined Equitable Mortgages, Marac, PGG Wrightson and South Canterbury as being approved under the Crown Retail Deposit Guarantee Extension. Under the extended guarantee, qualifying depositors will have their guaranteed investments protected up to a maximum of \$250,000 until 31 December 2011. For full details of the New Zealand Government Deposit Guarantee Scheme and the Extension, visit [the New Zealand Treasury website](#).

As with other approved issuers, Fisher and Paykel intends to offer both Government Guaranteed and non-Government Guaranteed debenture stock. Although not covered by the Crown Retail Deposit Guarantee, “excluded” debenture stock issued by these companies is still first ranking, i.e. debenture holders retain a charge over all the assets of the issuing company except for relatively minor prior charges allowed by law. At 31.3.09, F&P Finance had total assets of \$391m, making it a medium sized finance company by New Zealand standards. Committed but undrawn bank financing facilities of \$232m (as at 31.3.09) give F&P Finance a strong funding flexibility in addition to the issue of debenture stock. Bank funding facilities rank equally with, not ahead of, debenture stock in priority for repayment. Parent company, listed Fisher & Paykel Appliances, provides an avenue to additional capital if required.

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
Fisher & Paykel	Call	4.50%	\$500	quarterly
Fisher & Paykel	3 months	5.00%	\$1000	quarterly
UDC Finance	4 months	4.70%	\$5000	on maturity
Equitable Mortgages	6 months	5.50%	\$2000	quarterly
Marac	6 months	5.50%	\$1000	quarterly(Canopus exclusive rate)
Fisher & Paykel	9 months	6.00%	\$1000	quarterly
Fisher & Paykel	12 months	6.75%	\$1000	quarterly
South Canterbury	18 months	8.00%	\$100	quarterly,

South Canterbury has a range of Government Guaranteed debenture stock maturing in April, July, August, October and December 2011, all offering 8.00% p.a. and all subject to the Crown Retail Deposit Guarantee Extension.

**N.B.** Finance companies may offer special rates, adding up to 0.5% p.a., to existing investors, for rollover of current deposits, for large amounts or for investments made through Canopus Investments Limited. International investors applying for New Zealand domiciled debenture stock may qualify for the “Approved Issuer Levy” deduction of just 2% of interest earned, in lieu of non-resident withholding tax which would otherwise be deducted at a rate of 10% or 15%. Contact Canopus for details [info@canopus.co.nz](mailto:info@canopus.co.nz) or call (09) 444 8055 for more information.

For the full range of finance company debenture stock deposit rates and finance company ratings see [http://www.debentures.co.nz/debenture\\_stock.html](http://www.debentures.co.nz/debenture_stock.html)

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

PGG Wrightson, Marac and Equitable Mortgages are all offering both Government Guaranteed and non-Government Guaranteed debenture stock as allowed for under their Deeds of Guarantee with the Crown. For respective rates see [http://www.debentures.co.nz/debenture\\_stock.html](http://www.debentures.co.nz/debenture_stock.html) .

Should the Crown Guarantee be activated in regards to any of these companies (through some event or default) eligible holders of Government Guaranteed debenture stock in that company would then be paid out all capital and interest due, up to the time of default, from Government resources. The Government would then rank in equal priority to other first ranking secured debenture holders as charge-holders over the finance company’s assets.

South Canterbury Finance continues to make progress on realising assets to reduce its outstanding debenture stock. Approximately \$200m of asset sales since January this year appear to have been applied partly to reducing debentures, lowering the amount due before 10 October 2010 to about \$780m as at mid May. 12 October is when the initial Crown Retail Deposit Guarantee expires and where South Canterbury has a bulge in repayment liabilities said to be up to \$350m. South Canterbury expects to meet this liability by retaining its recent 50% average rollover rate on existing deposits, maintaining inflow of new funds at around \$1m per business day plus achieving an increased rollover percentage by way of the special 8.25% p.a. offer to existing debenture holders to roll their investments into next year. Further cash is intended to be raised from ongoing loan book realisation and new equity. At present South Canterbury reportedly has about \$80m cash on hand. Bond holders, with bonds maturing this year are likely to be offered a similar rollover inducement to debenture holders.

Current income from the loan book is said to be roughly meeting operating expenses. A recent press release indicates a small operating profit is expected for the final 6 months ending 30 June 2010.

South Canterbury has nominally been split into three divisions: a “good” division holding the performing loans, a “bad” division holding impaired assets (mostly property loans) and an “investment” division holding the businesses acquired from Chairman Allan Hubbard in exchange for new equity. Long term the “good” division is intended to comprise the ongoing entity with assets of about one billion dollars. The “bad” division has a specialist recovery team in place to realise impaired assets at the best possible price while the “investment” division is likely to prepare its holdings for sale as these are not seen as comprising core business of the finance company in future. Under this scenario South Canterbury would still be one of New Zealand’s largest finance companies once the restructuring is complete.

Success initially depends on South Canterbury generating sufficient liquidity to meet all maturing liabilities prior to 12 October this year. Assuming success however, current reinvestments and new debenture funds will then have maturities concentrated into 2011 and become payable prior to expiry of the Crown Retail Deposit Guarantee Extension on 31 December 2011. Steady reduction in the debenture book from ongoing loan book realisations will need to be boosted by major asset sales and an attractive schedule of non-Government Guaranteed debenture interest rates will be necessary to attract a useful level of reinvestment once the Crown Guarantee finally expires on 31 December 2011. The search for additional equity continues.

#### 4. Equities

**GPG** disappointed once again on failing to announce a return of value to shareholders at its AGM in London on 7 May, with Chairman Sir Ron Brierley claiming corporate bureaucracy in the UK is spiraling out of control, making the process difficult. GPG has investments and shareholders in many countries and needs to produce a structural change that will not see shareholders' assets eaten up in excessive taxes and other charges. Sir Ron says progress is being made and a few more weeks or months are not critical. New Zealand investors will be hoping for weeks, not months. Net Asset backing, claimed by Sir Ron to be a conservative 56 p per share, works out at just NZ\$1.19 at recent NZ/UK currency exchange rates, compared to NZ\$1.49 a year ago, but still well above recent share prices. However, the wait is painful and long. Hopefully GPG will be laid to rest entirely and full value returned to shareholders. GPG (and its directors) seem only shadows of their former selves. Sir Ron's original altruism towards his investors seemingly playing little part in directors' self-interest these days.

Despite the uncertainties, the 35% share price discount to NTA means holding remains the best option for existing shareholders.

The triple whammy of global market weakness, resource stock aversion and Australian Government's planned resource industry "Super Tax" has seen the share price of the world's largest mining company, **BHP Billiton**, knocked down by 19% in just 6 weeks. BHP says the tax would increase the effective tax rate on its Australian profits from 43% to 57%, threatening Australia's competitiveness and BHP's investment plans. Lobbying against the tax is more widespread than Kevin Rudd expected, coming from all sectors set to be badly affected including state politicians, community groups and workers as well as the resource companies. Even if the tax goes ahead it is likely to be significantly watered down by alleviating measures such as tax write-offs for unsuccessful exploration. The opportunity to buy one of the world's top shares at a major discount to valuation is a rare event.

**National Property Trust (NPT)** unit holders have requested a Special Meeting to consider removal of the Unit Trust Manager, National Property Trust Limited, a 100% owned subsidiary of St Laurence Limited, now in receivership. Kevin Podmore has resigned as Chairman of the Manager, replaced by Jim Sherwin. NPT sells at the largest discount to NAV of all the NZX-listed property trusts, nearly 40%. The unit price has long suffered from doubts over property trusts in a time of declining valuations and association with the failing St Laurence Group. However, recent property sales at respectable prices have reduced NPT gearing to just 22%, making it one of the most conservatively geared listed property trusts in New Zealand.

A 75% majority of votes cast is required to pass the resolution. It is thought St Laurence interests hold about 16% of the units on issue, meaning they would only have to gain support from another 10% of unit holders to defeat the resolution. However, if the current management is ousted, the NPT unit price could see good gains from confidence in a new and stable manager, improving sentiment

towards the property market in general and any broad recovery in equity prices. The Special Meeting will be held immediately after the AGM, timed for Friday, 30 July at 2.00 pm.

## 5. Investment Strategy

Contrarian investors will welcome the recent decline in equity markets, bringing some top shares back to prices that can be paid with confidence that a sound long term investment has been made.

We made two major share sales from our reference portfolio on 10 April, missing the market peak by two days. Recent sharp declines mean the transaction bias has now swung back towards buying.

Over reaction to Australia's proposed mining tax is creating an opportunity to enter the resource sector on the top shelf at attractive prices, e.g. BHP and Rio Tinto. Financial services companies such as AMP and AXA Asia Pacific should benefit from increasing compulsory employer contributions to Australian pension schemes, set to rise from 9% to 12% over the next 10 years. Both proposals depend on Kevin Rudd's Labor Party winning the late 2010 election but current market weakness makes these blue chips look attractive in any case.

Short term indicators are saying wait on the sidelines for now – and keep a careful eye on Europe. We could start selected buying of blue chip shares before long but need to be mindful that “flash” trading programs have the potential to produce wild market swings – both up and down. US market regulators have so far introduced some crude measures to stem the practice such as “circuit breaker” halts to trading when prices swing wildly and even possible cancellation of some trades made outside “reasonable” trading ranges. Expect new trading rules to be formulated into a code covering all US exchanges before too long.

Managed equity funds specialising in local, regional or international equities such as those featured in our “New and Current Issues” and at [http://www.debentures.co.nz/managed\\_funds.html](http://www.debentures.co.nz/managed_funds.html) provide an effective means of diversifying an investment portfolio across these traditionally high yielding asset classes.

Income seeking investors now have a respectable range of finance companies offering Government Guaranteed debenture stock out to expiry of the Crown Retail Deposit Guarantee on 31 December 2011, but rates are unattractive in many cases. Investors need to be considering transition to a post Government Guaranteed environment where investments should be diversified across a range of assets and asset classes to provide a high level of security and good income. A well diversified income portfolio comprising carefully selected corporate bonds, property trusts, government stock, high yielding blue chip shares and high quality debenture stock should be able to achieve a better return with good security.

Canopus can help assemble a diversified income portfolio customised to match each individual's requirements.

Regards,

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

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