CANOPUS INVESTMENTS Limited

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

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Investment Directions 27 September 2011

"Analysis to action. Opportunities to outcomes"

In this Issue

1. **Overview –** Fragmentation complicates Eurozone Greek rescue attempts. Joint offering of US dollars by major central banks and proposed Chinese bond buying positive for banking liquidity. Global equities plunge as flash trading reacts to skepticism of US Fed's "Twist", lack of leadership in Europe and increased recession fears. Global inflation not an immediate problem despite money/credit creation. Huge Fonterra profit and payout supports NZ economy. Lower than expected NZ growth in Q2 cements low OCR for 2011.

2. **Interest rates and finance companies –** Central banks hold base interest rates. Outlook for Australian and New Zealand interest rates swings to neutral or negative. Remaining Crown Guaranteed deposit rates. Best deposit rates from BB rated finance companies.

3. **New and current issues –** a selection of well-performed managed funds covering property, Australasian equities, international equities, commodities, managed futures and gold. Secondary market request for OM-IP 220 Series 6 shares.

4. **Equities –** Australasian shares should eventually benefit from lower AUD and NZD as global markets approach capitulation. Dividends holding up. Updates on FBU, HNZ, ARG and VHP. IPOs could go on hold.

5. **Strategy –** Accretion of top quality investments during times of panic should bring rewards. Compiling an income portfolio.

1. Overview

Rumours, denied of course, that Germany and France were positioning their banks to cope with a Greek sovereign bond default add fuel to the possibility that Greece will soon be unable to meet its financial obligations. But any "default" should be manifest as a restructuring of loan maturities rather than a simple neglect of interest payments. Pressure from the IMF, World Bank, US and other major global financial players looks to be pushing fragmented Europe towards more concerted action on containing its debt problems including boosting the European Financial Stability Facility (EFSF) and advancing inception of the more permanent European Stability Mechanism (ESM). Proposed measures would provide more time for European banks, both central and private, to raise sufficient capital to cope with the ensuing obligatory recognition of devalued bond holdings on their balance sheets. Financing both funds requires more contributions from the strong Euro economies but political will for further bailouts is wavering with main proponent, Germany's Chancellor Angela Merkel, facing mounting political pressure at home. Closer integration of Euro-country fiscal policies, common Euro-bond issuance and Euro money/credit creation look inevitable if the Euro-currency zone is to survive.

In this climate, interbank lending again becomes a growing problem as banks, doubting the credit-worthiness of others, refuse to lend to others for overnight settlement – preferring instead to just deposit any surpluses with the ECB.

Concerted efforts by central banks of the US, UK, Japan, Europe and Switzerland to grant private banks access to new US dollar liquidity has capped interbank lending rates (LIBOR) in the short term. The trick now is for central banks to increase liquidity further, hopefully averting further recession, without suddenly triggering high inflation in the near future. Although above target in major economies including the UK, US, China, Korea and the OECD, inflation doesn't yet represent an immediate threat because:

a) New money/credit still hasn't replaced severe wealth losses suffered by private and institutional investors during the GFC.

b) New money/credit generally hasn't gone to those habitual investors and producers who suffered the biggest losses.

c) New money/credit, directed to private banks, is simply used to shore up balance sheets by re-deposit in central banks – not for productive or consumer lending.

d) Demand for productive lending remains depressed in any case.

e) Western consumers turn into net savers.

f) Unemployment remains high in Eurozone, US and elsewhere.

g) The "velocity of money" – the rate at which money circulates, i.e. the frequency with which money is used to purchase goods and services, remains low (and is still falling in the US).

Gold, having spiked in classic mode, could decline and wallow for years as per previous corrections to the precious metals. Another round of strong major precious metal rises depends on high inflation threatening across the major OECD economies plus China and India.

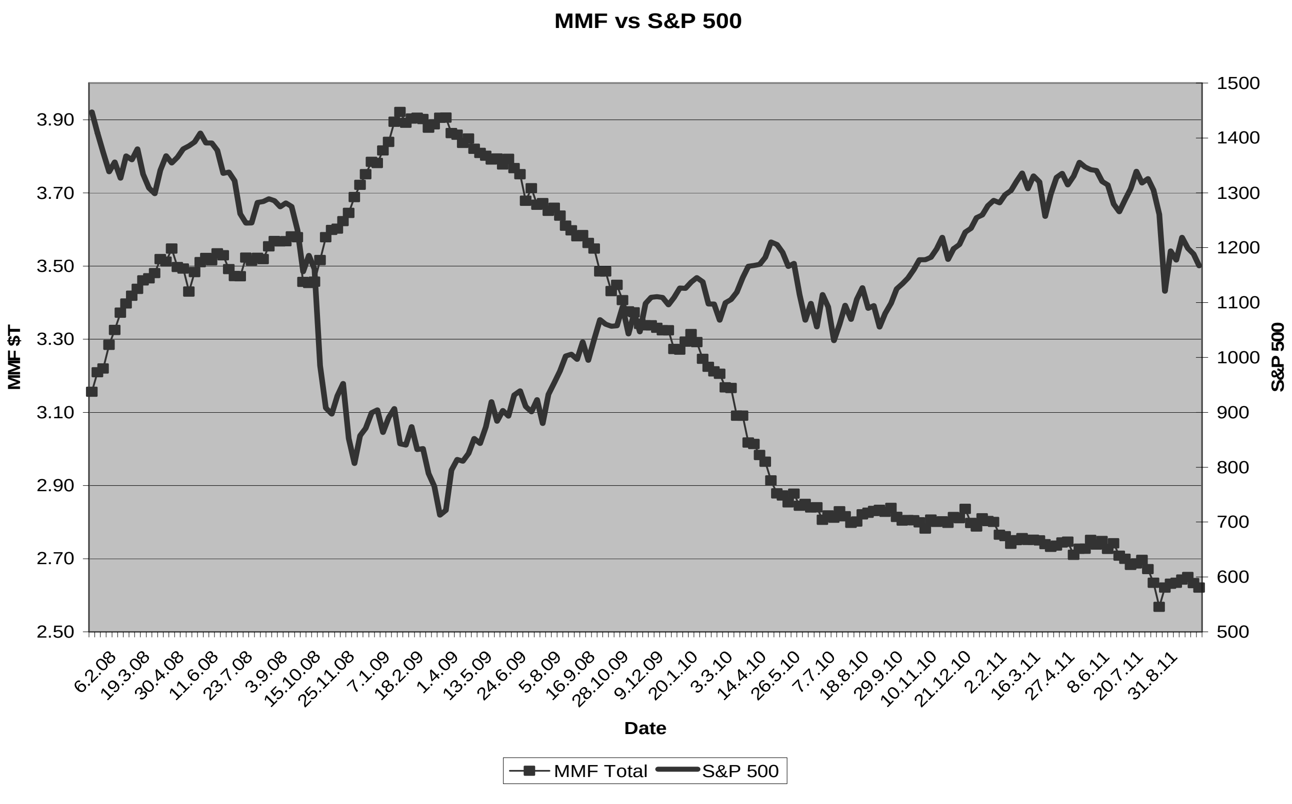
China's apparent willingness to purchase Euro-denominated bonds, particularly Italian, adds a little confidence to the Euro - and maybe ensures a few favoured cadres receive invites to Berlusconi bunga-bunga parties. Interestingly, Australian banks are also reported to have been increasing their lending to down-graded Italy while slashing their exposure to other big Eurozone economies, France and Spain! Quietly, Ireland emerges from severe recession with Q2 GDP growth of 1.6%, following 1.9% in Q1 and Irish bond yields are falling - meaning Eire may soon be able to return to international capital markets to fund its own debt, obviating ECB bailouts.

The US Fed disappointed some market expectations by not announcing a further money/credit creation program, nominally termed Q3. Instead the Fed intends to sell short term treasury bills, reinvesting the proceeds in longer term treasury bonds with the intention of forcing down long term interest rates. US 10 year bond yields immediately fell to just 1.72%, lower than at the deepest depths of the GFC. Latest Fed policy to bend the yield curve has been termed the "Twist". Global investor flight to "safe haven" US Government bonds contributed to the rapid yield decline. Equities reacted with a quick S&P 500 fall of 3.2% to 1130. New IMF chief, Christine Lagarde, further alarmed markets with an uninspiring speech repeating all the known unknowns but offering little new towards their solution.

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

	Latest	Aug 11	July 11	June 11	May 11	Apr 11	Mar 11
3 month LIBOR (end of month)	.35556%	.32722	.2555	.24575	.2529%	.273%	.303%
TED Spread (points)	35.0477	31.7053	16.398	23.5583	20.725	23.7511	21.1729
VIX equity volatility	37.32	31.62	25.25	16.52	15.45	14.75	17.74
US LEI		+0.3%	+0.6%	+0.3%	+0.7%	-0.3%	+0.7%
Japan LEI			+0.9%	+0.0%	-0.9%	-2.0%	-0.8%
Eurozone LEI			+0.3%	-0.1%	-0.1%	+0.2%	-0.5%
Australia LEI			-0.1%	-0.5%	+0.2%	+0.1%	-0.1%
United Kingdom LEI			+0.3%	0.0%	+0.6%	+0.3%	+0.4%
China LEI			+0.6%	+0.9%	+0.4%	+0.3%	+0.9%
New Zealand CLI (Amp adj. OECD)			+0.7%	+0.8%	+0.8%	0.4%	+0.4%
US Money Market Funds $T	2.621	2.642	2.568	2.682	2.726	2.727	2.736

VIX equities volatility gave a sharp response to Fed "Twist" plans plus the heightened possibility of recession and continuing Eurodebt problems. 3 month LIBOR and TED spread exhibited sharp rises into mid September, indicating tighter inter-bank lending conditions, but remain far below the market-freezing rates reached during the GFC and appear to have stabilized with the concerted central bank liquidity proposals. Australasian bank funding still appears unthreatened but the NZ Government could run into higher rates trying to finance its exponential debt growth. Positive leading economic indicators still dominated major economies through July but Australia's negative figure reflects an economy of two halves – positive commodities export boom offset by depressed internal activity.



The traditional inverse relationship between Money Market Funds and equities as per the S&P 500 looks to have taken on a near fully positive correlation over the past two months, with withdrawals from money market funds corresponding to immediate falls in the index, rather than the reverse. Such correlations have occurred in the past but have proven to be short lived. Possibly the recent popularity surge of gold and silver offers a partial explanation as to where some of those withdrawn funds have gone. Other targets attracting hightened inflows would be longer term US bonds in reaction to the US Fed's new "Twist" policy and emerging market funds (despite defensive currency imposts).

Good news came in threes, then fours, at home – Australia were proven vulnerable by Ireland, Fonterra will inject $10.6 billion into the NZ economy through milk payments plus dividends after record revenues of $19.9b, the All Blacks beat France and it became obvious Nick Smith's nonsensical Emissions Trading Scheme is falling apart at the seams, with agriculture now looking less likely to ever be incorporated. Unfortunately the grossly expensive, highly complex, one-off and ineffective ETS experiment will be drip fed in survival mode for years – simply to salve Nick Smith's political face and a lot of entrenched "make-work" interests. Sadly, daily media writers possess neither the wit nor will to analyse. Base assumptions, data and methods used to justify the NZ ETS are highly questionable, particularly with respect to claimed rising agricultural emission levels since the 1990 Kyoto base year – during which time high-emission ruminant animal numbers plunged by tens of millions! Needless to say, despite many billions of tonnes of "carbon credits" being traded on the European ETS, transferring great wealth at great cost from industry and consumers to commodity traders, speculators, "make-work" stakeholders and fraudsters since 2005, no impact on the growth pattern of atmospheric CO_2 levels appears discernable. Trading markets are fine for exchanging real assets and services but not for unverifiable amounts of "thin air". Cleansing the planet's atmosphere awaits much sharper acumen than the ETS.

More positively, NZ shares held up relatively well on the back of the Fonterra result and lower NZD. Q2 GDP growth coming in at just 0.1%, well below market expectations around 0.6%, should cement in a low OCR until well into 2012 at least. Theoretically this should also cap floating mortgage rates but any serious tightening of global capital markets could force up Australasian bank funding costs with a consequent flow on to bank mortgage rates. So keep an eye on those 3 month LIBOR and TED spread rates. In contrast, NZ terms of trade (exports/imports) increased 2.3% in Q2 with respect to Q1 and now stand at their highest since Q1 1974.

2. Interest rates and finance companies

As expected, RBNZ held the OCR at 2.50% on 15 September. The outlook remains steady until well into 2012. Market sentiment is swinging towards a reduced OCR in Australia late this year or early next, with the NZ base rate remaining static. Outrider opinion even suggests a further cut in the NZ rate being possible if global conditions deteriorate markedly. RBNZ Governor Bollard's "emergency low" OCR could become the new norm – or even a bit high.

Australia's announcement of an intention to permanently guarantee bank deposits up to $250,000 leaves New Zealand in a quandary. Further extension of the Crown Retail Guarantee in NZ is not wanted by financial institutions or Government, but Government's hand here could be forced if capital flows across the ditch to deposit-guaranteed Australian banks seriously affects internal savings and pressures up interest rates. In the meantime, expect the residual Crown Deposit Guarantee to expire as scheduled on 31 December this year.

Government Guaranteed deposits – The Extended Crown Retail Deposit Guarantee expires on 31 December 2011. Top finance company current debenture stock rates covered for the full term by the Extended Crown Retail Deposit Guarantee are:

Issuer	Term	Rate p.a.	$ Minimum	Interest Payment	Rating (long term/outlook)
Marac	Call	3.25%	1,000	quarterly	BBB-/negative
Marac	Call	3.75%	50,000	quarterly	BBB-/negative
PGG Wrightson	3 months	3.75%	1,000	quarterly	BBB-/negative
Marac	3 months	3.75%	1,000	quarterly	BBB-/negative

Purchase of PGG Wrightson by Marac parent, Heartland, has resulted in Marac and PGG Wrightson now offering the same deposit rates.

Investment statements and application forms for debenture stock issues can be downloaded from http://www.debentures.co.nz/debenture_stock.html by clicking on the issuer name in the Primary Debenture Stock Market table or requested by contacting Canopus, info@canopus.co.nz .

Top finance company current debenture stock rates with a minimum deposit of $10,000 or less, from finance companies with a long term credit rating of BB or better are:

Issuer	Term	Rate p.a.	$ Minimum	Interest Payment	Rating (long term/outlook)
Marac	Call	4.00%	1,000	quarterly	BBB-/negative
Marac	Call	4.50%	50,000	quarterly	BBB-/negative
Liberty Financial	3 months	5.50%	5,000	quarterly	BB/stable
PGGW & Marac	6 months	5.50%	1,000	quarterly	BBB-/negative
PGGW & Marac	9 months	6.00%	1,000	quarterly	BBB-/negative
Fisher & Paykel	9 months	6.00%	1,000	quarterly	BB/stable
Liberty Financial	12 months	7.70%	5,000	quarterly	BB/stable
Liberty Financial	15 months	8.00%	5,000	quarterly	BB/stable
Fisher & Paykel	18 months	7.10%	1,000	quarterly	BB/stable
Liberty Financial	24 months	8.05%	5,000	quarterly	BB/stable
Liberty Financial	36 months	8.25%	5,000	quarterly	BB/stable
Liberty Financial	48 months	8.30%	5,000	quarterly	BB/stable
Liberty Financial	60 months	8.35%	5,000	quarterly	BB/stable

Again, note that rates in the above table are *not* guaranteed by the New Zealand Government. However, all debenture stock in the table is first ranking i.e. it carries a first ranking charge over the assets of the issuing company subject to minor prior charges allowed by law and the relevant trust deed. See the investment statement or prospectus from each issuer for details. BB or better was the rating chosen by RBNZ and the NZ Government as qualification for entry into the Crown Retail Deposit Guarantee Scheme.

Marac and PGG Wrightson are now the only finance companies offering the Crown Retail Deposit Guarantee. As both are now owned by Heartland New Zealand, their deposit rates are the same across all terms.

For the full range of finance company debenture stock deposit rates, including remaining Government Guaranteed rates, plus finance company ratings see http://www.debentures.co.nz/debenture_stock.html .

Deposit rates are liable to change at short notice.

UDC Capital Drawdown facility – UDC Finance, New Zealand's top rated finance company, carrying an AA/stable S&P long term rating, offers a capital drawdown facility allowing fixed amounts to be withdrawn from a fixed interest deposit over monthly or quarterly intervals. Terms range from 1 to 5 years. Regular withdrawals may comprise interest only or interest plus a portion of capital and the regular withdrawal amount can be increased or decreased. Remaining capital, after each withdrawal, continues to accrue interest at the nominated rate (less withholding tax). The capital drawdown deposit carries first ranking debenture security.

This facility may be of interest to those requiring regular income from savings over a fixed term.

An example:

Deposit date:	27.04.11
Maturity date:	27.04.16
Tax rate:	33%
Interest:	compounded monthly
Interest rate:	6.05% p.a.
Deposit amount:	$100,000
Monthly withdrawal:	$1850.00
Total interest:	$15,856.37
Total tax:	$5232.61
Amount repaid:	$109,150
Maturity amount:	$1473.76

For more details on the UDC Capital Drawdown Facility and quotes covering any combination of deposit amount, regular withdrawal amount, interest rates, terms and tax rates contact Canopus info@canopus.co.nz

Bonds – from time to time high quality bank or corporate bonds may be issued into the New Zealand market, but such issues are rare. As with the scarce good quality equity IPOs, good bonds are difficult to get hold of from the initial issue as far as the private investor is concerned. Contact me early if you would like to reserve an allocation in any of these bond issues, info@canopus.co.nz .

SAKHA, (SKIES) attractive, investment grade rated hybrid income securities issued by Sydney Airport owner Southern Cross Airports Corporation, SAK, and offering an unfranked yield to maturity of about 7%, will be redeemed for cash in January 2012, instead on continuing with an increased "step up" dividend. Sydney Airport has raised alternative bank and bond funding that will allow the SKIES to be repaid with accrued interest and meet planned capital expenditure to 2014.

3. New and current issues

3.1 Mint Asset Management New Zealand Australia Real Estate Investment Trust
3.2 Mint Australia New Zealand Active Equity Trust
3.3 Elevation Capital Value International Equities Fund
3.4 Pathfinder Commodity Plus Fund
3.5 Man AHL Diversified (AUD)
3.6 Man AHL Alpha (AUD)
3.7 Man AHL Gold (AUD)
3.8 Other managed funds

A request to purchase 5000 shares units in **Man OM-IP 220 Series 6 Limited** has been placed on Debex at http://www.debentures.co.nz/secondary_market.html . The Bid price is A$2.4016 per share. If you have shares to sell in this fund or know anyone who does, please contact me alan@canopus.co.nz .

3.1 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 Australasian property trusts and companies in a sector showing improved investment returns.

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.

3.2 Mint Australia New Zealand Active Equity Trust

PIE registered New Zealand Unit Trust investing in equities listed in New Zealand and Australia. A portfolio of actively managed Australian and New Zealand shares for investors wishing to benefit from tax effective gains in local share markets.

Key points of the issue:

- Objective return gross 90 Day Bank Bill Rate + 5% p.a.
- Consistent returns sought through total return approach plus active management.
- No fixed allocations between countries, regions or sectors allowing best identified equities to be held.
- 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.

3.3 Elevation Capital Value International Equities Fund

"Independent Thinking - Disciplined Investing"
ELEVATION CAPITAL®
www.elevationcapital.co.nz

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 , or telephone 09 444 8055.

3.4 Pathfinder Commodity Plus Fund

The Pathfinder Commodity Plus Fund provides access to commodities by tracking the return of the Deutsche Bank Liquid Commodity Index– Mean Reversion Plus Access (DBLCI-MR PA) index which comprises six commodities: crude oil, heating oil, aluminium, gold, corn and wheat.

Key features:

- Structured as a PIE unit trust.
- Low correlation of returns with equities and bonds.
- Currency hedged to New Zealand dollar.
- Liquidity via monthly valuations.
- No ongoing commissions paid.
- Discounted entry fee on applications made through Canopus.
- Minimum initial investment NZ$25,000.

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

3.5 Man AHL Diversified (AUD)

Provides direct access to the AHL Diversified Program, anchor trading program of the OM-IP managed futures 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

3.6 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.

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.

3.7 Man AHL Gold (AUD)

An 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.

3.8 Other Managed Funds

Canopus has access to a range of other managed funds targeting income and growth through fixed interest, equities and commodities. Funds may be broadly diversified or asset class specific. Some are available at nil entry fee. Contact Canopus for details info@canopus.co.nz

4. Equities

Generally, major corporates hold much stronger balance sheets than during the GFC of 2007-09. Despite profit forecasts weakening, dividends are holding up with just some minor reductions in some cases. Forecast P/E and PEG ratios are low for some of the very largest listed companies, even after profit forecast downgrades, providing opportunities for income as well as growth portfolios.

Recent sentiment has been so universally negative that a state of market capitulation may be near. Indices bounce on the thinnest of hopes and reverse again just as readily. Expectations of Greek default and renewed global recession are hardly new and must be priced in to a large extent already. In contrast to the US equity markets up to July, Australasian shares went nowhere over the past year while the AUD and NZD surged relative to the Greenback. Lower valued currencies should be positive for any equities recovery as the "Pacific" nations are regarded as relatively safe haven economies despite heavy dependence on commodities. With the Euro, Swiss Franc (recently tied to the endangered Euro), gold and silver all now falling out of contention, the safe haven list is shrinking. Of interest, the British Pound is showing renewed strength amongst currencies, perhaps being seen as a relatively safe haven once again – but any further talk of new bond purchases by the Bank of England – effectively new money/credit creation, could quickly choke off that option as well.

Fletcher Building, FBU, is set to gain further from increased estimates of the Christchurch rebuild by $4b to $20b. FBU has the contract to act as project manager for the city reconstruction. The new $20b rebuild figure is close to Fletcher Building's own estimate of the project, but may not be figured into analysts profit projections. Final dividend has been increased from 15 cps to 17 cps. At the latest share price of $7.29, FBU has a 1 year PEG ratio of just 0.80, falling to 0.55 in 2012 based on available forecasts. PEG ratio measures the Price per Earnings (P/E) divided by expected earnings per share growth and is said to be a fairer assessment of value than simply P/E alone as it takes into account earnings growth. A PEG ratio of 1 is considered fair value with value increasing for lower PEG values and decreasing for higher. An FBU consortium has just been awarded the $1.3b Waterview tunnels motorway contract in Auckland, designed to link the Southwestern and Northwestern Motorways. NZ building consents are slowly rising for residential construction and faster for non-residential, but non-residential construction is largely being driven by government spending while private sector spending remains subdued.

Heartland NZ, HNZ, seeking a banking licence next year, announced acquisition of PGG Wrightson Finance, boosting total assets to $2.6 billion and providing access to a broad infrastructure of rural lending. $57.35m of new capital was raised through private placements and an existing shareholder share purchase plan to fund the PGG Wrightson purchase. Heartland has been included in the NZSX Top 50. At 53 cents, forecast PEG ratio is just 0.17. Heartland intends to update the market on its 2012 profit forecast after first quarter trading results are known – which should now include a $5m - $6m tax benefit in addition to the $20m - $24m profit projected earlier. A major risk to HNZ is still that its investment grade rating of BBB- could be downgraded, effectively stymiing its banking licence intentions.

Proposed float of 30% - 35% of **Trade Me** (see last month's Investment Directions) could be delayed owing to recent share market falls. Prolonged depression of markets could also dampen the NZ Government's keenness to sell SOE stakes and upset possible IPOs for aged care companies **Summerset Group** and **Vision Senior Living.** Possible flotation of **Fonterra** non-voting shares could also be impacted.

The demerger of **Telecom, TEL,** should unlock some value for existing shareholders but the whole telecoms industry, and Telecom in particular, remains subject to massive "regulatory risk". Telecom has destroyed huge shareholder wealth over the years of its listing. Chorus may be the better of the two latest resultant entities but will still be subject to political whims. Existing TEL shareholders will receive Chorus shares on a 1:5 ratio.

Unit holders of **Argosy Property Trust, ARG,** have approved the $20m management internalisation proposal supported by the independent directors, the Shareholders Association and 22% unit holder MFL Mutual Fund Ltd. Although still expensive, under this option unit holders expect management to transform the Trust into a listed property company, giving shareholders ultimate control of the entity.

In contrast, unit holders in **Vital Health Properties, VHP,** look to have been side-swiped by ANZ Bank, owner of the current Trust manager, after ANZ effectively purchased a "blocking" stake of units, allowing it to prevent an internalisation of management similar to ARG. ANZ has advised the market that the internalisation will not proceed, arousing suspicions that ANZ will attempt to sell the management contract and blocking stake as a going concern. Independent directors are disappointed. Unit holders have reason to be also. The VHP AGM in December should be a lively affair.

Cynotech Group Securities Preference shares, **Cynotech** ordinaries and Cynotech Capital Securities are listed on DEBEX at http://www.debentures.co.nz/secondary_market.html .

Requests to buy or sell equities, bonds, managed funds and debentures on the Debex secondary markets can be made direct to Canopus, operator of Debex, at info@canopus.co.nz .

5. Strategy

Sharemarket index falls have been globally contagious, irrespective of regional differences, on fear of Euro-debt problems escalating into a new global recession. A feature of market volatility over recent years has been the new price correlation, either strongly positive or negative, between asset classes that in earlier times tended to move independently of each other. But such action can produce opportunities.

Agricultural commodities offer interesting possibilities. Drought in Texas, Kansas and Oklahoma presages a shortage of cotton, corn, soybeans and possibly winter wheat, but after sharp rises during August, these soft commodities unreasonably joined the global market rout in September. Commodity funds containing these components could recover strongly in a change of global sentiment. A bid for **Liontamer Combi 6** is listed at http://www.debentures.co.nz/secondary_market.html . Please contact me if you have these units for sale alan@canopus.co.nz

Jumping on the latest hot investment bandwagon after it starts featuring loudly in the six o'clock news, current affairs programmes and pumped up advertising is one of the best ways to lose money – as recent gold and silver converts have discovered. Accretion of sound investments during times of panic selling should provide longer term gains - the latter strategy recently claimed as being followed by at least two of New Zealand's leading fund managers.

For income investors, a proposed "Local Body Bond Bank" to fund local authority borrowing from a coordinated source could prove a useful addition to investors seeking diversification of a conservative income portfolio. Rating and security would be high on the local body bonds but offered rates would be modest, a little above central government bond rates as local bodies are the only entities, apart from central government, legally entitled to tax citizens in order to meet financial obligations.

As with any growth oriented portfolio, expected return for an income portfolio is related to risk. A conservative income portfolio might include Government bonds, high investment grade corporate bonds, investment grade step up hybrids, diversified income funds and some high yielding "blue chip" equities. In the present interest rate environment the more conservative income portfolio may produce a return of approximately 6% - 7% p.a. after fees. Extending the range of investments to include an increased component of high yielding equities, listed property funds and investment grade debentures could improve yields to 7% - 9% p.a. after fees. These returns may also be net of tax depending on the individual investor's personal tax situation. Higher yielding portfolios can be constructed with commensurate risk while a rock solid portfolio could be constructed from the highest grade stocks and bonds delivering 5% or less. At these returns though, investors should seriously consider the easy alternative of simply spreading their money across several major banks thereby avoiding management and advisory fees.

Under the new financial advisory regime ultra conservatism will be the norm. Expect to see many managed portfolios returning no more than bank deposits. Hardly worth paying for.

Throughout the Global Financial Crisis of 2007/09 and up to the present, Australian and New Zealand listed investment grade bonds and step-up hybrids have proven to be one of the most secure asset classes, showing consistent returns and very few defaults (if any?). The very few listed bond failures have generally been in the highly speculative grades issued by failed property development finance companies or other non-investment grade issuers.

Canopus combines purchase of individual bonds, shares and other securities with a selected range of managed funds to assemble a personalized growth or income portfolio tailored for each individual investor. All investments are held in the name of the investor or the investor's nominated holder, leaving ultimate portfolio control in the hands of the investor while providing improved liquidity, security and returns through selective diversification.

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

Regards,

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

Disclosure

Canopus Investments Limited, its directors, officers and associates, may hold or apply for investments mentioned in this newsletter for their own investment purposes.

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