

## CAPITAL PROTECTION: SMOOTHING THE RIDE



Dear Investor

We are pleased to enclose your distribution statement for the year ending 30 June 2009. As you will no doubt be aware, it has been a particularly tough period for many of the investment markets to which your funds are linked and whilst we remain optimistic that markets will now start to gradually improve, we do expect there to be some more bumpy moments along the way.

However, as an investor in our capital protected funds, we believe that you should be very satisfied that you took measures to protect your original capital from any losses in such difficult market conditions. We hope it is comforting to know

that the capital protected investments you hold with Liontamer have performed the task for which they were specifically designed – protecting your original capital from loss, while still providing exposure to any future gains. For more information on what to expect from investment markets this year please read the commentary later in this newsletter.

As the original founders of Liontamer, we are also pleased to announce that earlier this year we successfully negotiated to buy back the New Zealand business from KBC Asset Management. As you may be aware, Belgium-based KBC Asset Management became the majority owners of Liontamer in 2007. However, in late 2008, due in large part to the depth and seriousness of the global economic situation, KBC decided to conduct a review of its non-core operations. Following that review, KBC decided to withdraw from its Australasian business and, somewhat understandably, focus its resources on its home markets.

Fortunately, this presented us with a unique opportunity to buy back the Liontamer business that we founded over six years ago and which we both feel so passionate about. It also allows us to concentrate on providing you with the sort of investment opportunities that you have come to expect from Liontamer – innovative capital protected funds, backed by large banks with strong credit ratings that provide access to new and exciting growth markets. Our focus this year is now to create funds that either have strong capital protection or a significantly boosted return feature, while also maintaining a close watch on our current funds; several of which are maturing later this year.

Thank you very much for your support in 2009 and we look forward to helping you reach your investment goals in the future.

Best wishes

**Janine Starks**  
INVESTMENT DIRECTOR

**Laetitia Peterson**  
MANAGING DIRECTOR

## AN UPDATE ON OUR CAPITAL PROTECTION PROVIDERS

With a typical Liontamer fund your capital is protected by a large bank with a strong credit rating. That bank has a legal obligation to repay the original capital to the fund at maturity. This provides the capital protection feature to investors. The key risk is the bank's ability to repay the obligation, which is why the credit rating is important – a bank with a high credit rating has a lower likelihood of default. Liontamer only uses banks that are experienced at structuring capital protected investment products and who have strong credit ratings issued by international ratings agency, Standard & Poor's.

Another measure of the financial soundness of a bank is its 'Tier 1 capital' ratio. Basically, this ratio compares the bank's core equity capital to its total risk weighted assets (unfortunately there's no easier way to explain it). Financial regulators use the ratio as a key measurement of the bank's strength. In the US the minimum required Tier 1 capital ratio is 4% and to qualify as well capitalised it must be at least 6%. In the UK, the Financial Services Authority also requires a minimum of 4% Tier 1 capital.

If you look at the table below you will see the different credit ratings and Tier 1 capital ratios for the capital protection providers used in Liontamer's range of funds.

Bank	S&P Rating	Latest news
Barclays Bank	AA- (Negative)	Barclays has raised billions from investors in the Middle East rather than rely on any bailout capital from the UK government, thus avoiding government intervention. In March 2009, Barclays passed a Financial Services Authority 'stress test' and has since sold assets worth £8.2bn in cash and shares to raise additional capital. In May 2009, Barclays announced a first quarter pre-tax profit of £1.37bn. Tier 1 capital of 10.3%.
Deutsche Bank	A+ (Stable)	Like Barclays Bank, Deutsche Bank has also avoided requiring any government bailout assistance. In April 2009, Deutsche Bank, the largest bank in Germany, announced a first quarter pre-tax profit of EUR1.8bn. Tier 1 capital ratio of 10.2%.
KBC Bank	A (Stable)	In May 2009, KBC Group announced that the Belgian government will provide continued support via a system of state sponsored guarantees. Tier 1 capital ratio of 11%.
Morgan Stanley	A (Negative)	In June 2009, Morgan Stanley, the sixth largest bank in the US, became one of the first banks to repay all of its bailout funds back to the US Treasury. Tier 1 capital ratio of 16.4%.
UBS	A+ (Stable)	UBS was recapitalised by the Swiss government in October 2008. It has since sold its operations in Brazil for US\$2.6bn and in June 2009 raised US\$3.5bn in additional capital via private share placements. Tier 1 capital ratio of 10.5%.

As at 30 June 2009

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## FUND PERFORMANCE UPDATE

Trust No.	Fund name	Start date	Hold-to-maturity value	Trust No.	Fund name	Start date	Hold-to-maturity value
1	<b>EASY Series 1</b> MSCI World Index	30-Jul-03	\$1.0054	18	<b>BRICK Series 1</b> BRICK Index Base units	16-May-07	\$1.0000
2	<b>EASY Series 2</b> MSCI World Index	12-Nov-03	\$1.0000	18	<b>BRICK Series 1</b> BRICK Index Booster units	16-May-07	\$0.9000
3	<b>SUPER Series 1</b> MSCI World Index	12-Nov-03	\$1.0000	19	<b>GLOBAL Series 3</b> Global Index Booster units	15-Aug-07	\$1.0000
4	<b>EASY Series 3</b> MSCI World Index	11-Feb-04	\$1.0000	19	<b>GLOBAL Series 3</b> Global Index Super-booster units	15-Aug-07	\$0.9000
5	<b>SUPER Series 2</b> MSCI World Index	11-Feb-04	\$1.0000	20	<b>COMBI Series 4</b> Commodities Index Booster units	17-Oct-07	\$1.0000
7	<b>EASY Series 4</b> MSCI World Index	21-May-04	\$0.9500	21	<b>WATER Series 1</b> Water Index Booster units	15-Nov-07	\$1.0000
8	<b>MONEY Series 1</b> Dynamic Carry Index	14-Jul-04	\$1.1158	21	<b>WATER Series 1</b> Water Index Super-booster units	15-Nov-07	\$0.9000
9	<b>MONEY Series 2</b> Dynamic Carry Index Accumulation units	24-Nov-04	\$1.1416	22	<b>TIGER Series 3</b> Tiger Index Booster units	11-Oct-07	\$1.0000
9	<b>MONEY Series 2</b> Dynamic Carry Index Income units	24-Nov-04	\$1.1323	23	<b>GLOBAL Series 4</b> Global Index Giga-booster units	9-Jan-08	\$1.0000
11	<b>MONEY Series 3</b> Dynamic Carry Index Accumulation units	4-May-05	\$1.1244	24	<b>GLOBAL Series 5</b> Global Index Booster units	9-May-08	\$1.0000
11	<b>MONEY Series 3</b> Dynamic Carry Index Income units	4-May-05	\$1.1241	24	<b>GLOBAL Series 5</b> Global Index Super-booster units	9-May-08	\$0.9000
13	<b>GLOBAL Series 1</b> Global Index Booster units	23-Nov-05	\$1.0000	25	<b>EMERGE Series 1</b> Emerge Index Base units	9-May-08	\$1.0000
13	<b>GLOBAL Series 1</b> Global Index Minimum return units	23-Nov-05	\$1.1500	25	<b>EMERGE Series 1</b> Emerge Index Booster units	9-May-08	\$0.9000
14	<b>JAPAN Series 1</b> Japan Index	22-Dec-05	\$1.0000	26	<b>FALLEN ANGELS Series 1</b> Fallen Angels Index Tracker units	25-Jul-08	\$1.3175
15	<b>TIGER Series 2</b> Tiger Index Tracker units	4-May-06	\$1.0000	26	<b>FALLEN ANGELS Series 1</b> Fallen Angels Index Booster units	25-Jul-08	\$1.3127
15	<b>TIGER Series 2</b> Tiger Index Booster units	4-May-06	\$1.0000	27	<b>COMBI Series 5</b> Combi Index Booster units	25-Jul-08	\$1.0000
16	<b>GLOBAL Series 2</b> Global Brands Index Super-booster units	24-Aug-06	\$0.9000	28	<b>KNOCKOUT Series 1</b> DJ Euro Stoxx 50 Index Jumper units	3-Oct-08	\$1.0000
16	<b>GLOBAL Series 2</b> Global Brands Index Booster units	4-Sep-06	\$1.0000	29	<b>GLOBAL Series 6</b> Global Index Tracker units	14-Nov-08	\$1.3051
17	<b>COMBI Series 3</b> Rainbow Index Tracker units	11-Dec-06	\$1.0362	30	<b>Alternative Energy Series 1</b> Alternative Energy Index Base units	14-Nov-08	\$1.1180
17	<b>COMBI Series 3</b> Rainbow Index Booster units	11-Dec-06	\$0.9470	30	<b>Alternative Energy Series 1</b> Alternative Energy Index Booster units	14-Nov-08	\$1.0443

All valuations as at 30 June 2009. Gaps in Trust numbering are due to Trusts that have matured. The hold-to-maturity (HTM) values shown on the table above are not a net asset value or a value at which investors can exit the fund. The HTM value represents what the value of each unit would be assuming it was maturing today and had been held for the full term. By making these assumptions, we can provide a hypothetical value which reflects the relevant level of capital protection plus the formula of returns which apply at maturity. To avoid any misinterpretation, where an early maturity feature applies, each fund will apply the pre-set growth target as the maximum HTM value during the early maturity period. Investors should note that an early maturity will only occur where the actual net asset value achieved by liquidating the assets of the fund (not the HTM value) is equal to the pre-set growth target. Investors in a customised fund can visit [www.liontamer.com](http://www.liontamer.com) and use their password to access valuations for those funds.

# ECONOMIC AND MARKET COMMENTARY

## World overview

One of the many uncertainties of 2008 was whether the major developed countries would fall into recession and if so, when? Now we know that most developed nations are either in recession, or are heading towards a recession or, in just a few rare cases, have managed to narrowly avoid a recession. But what is clear is that the major governments around the world are making very serious efforts indeed to ensure their respective economies rebound and start growing again.

While still far off their 2007 highs, markets have come a long way since their lows in March this year, helped significantly by the massive stimulus packages announced in the US, Europe, Japan and the UK. In February this year the US approved a vast and controversial stimulus package of US\$787bn (NZ\$1.22tn), or 5.5% of GDP to be disbursed mainly over the next two years. Even earlier, in December last year, the European Union reached an agreement to provide a spending and tax package worth around €200bn (NZ\$435bn). A number of emerging markets, most notably China and India, have also taken aggressive action. While these massive programmes, consisting mostly of tax cuts and spending on public works and infrastructure, will need some time to take effect, they are expected to lay a strong foundation for a return to growth within the next 6-12 months.

## US

The worst part of a US recession now appears to be behind us. Large contractions in US growth took place in both the last quarter of 2008 and the first quarter of 2009 and while the pace of the recession is expected to slow before returning to positive territory by the end of the year, the US is still likely to face overall negative growth for 2009. There remain several ongoing issues that will take some time to resolve, namely rising unemployment, continued housing depreciation, and slack consumer spending.

The US sharemarket, as measured by the S&P 500 Index, is down marginally for the year to date at -1.3%. The shining light at the end of the tunnel for the US economy, and therefore for both local and global sharemarkets, is that America stands out as the country with the largest fiscal and monetary stimulus in place. While it took some time to get politicians on both sides to agree on the scope, let alone the scale of the US\$787bn stimulus package, the programme should provide a much needed boost to the US economy by creating jobs, cutting taxes and providing assistance to some key public services such as the health and education sectors. The Obama administration has not ruled out additional stimulus packages if required, although it is important to recognise that US taxpayers will be burdened with the bill for this for many years to come. In addition, US policymakers have acted reasonably decisively to tighten financial regulations, deal with toxic assets and encourage the clogged up financial system to start lending again.

## Europe

Policymakers in the UK are closely following their US cousins in terms of the strength of policy measures designed to boost the UK economy. The Bank of England has reduced lending rates by over 5% in just 24 months, while at the same time financially supporting a number of local banks and trying to get credit markets lending without so much restraint. These are all measures that have bolstered short-term confidence and activity; however, given the importance of financial services in driving growth in recent years and the severe weakness of its housing market, the UK is forecast to possibly experience its most brutal contraction since 1931. The FTSE 100 Index is already down around 7% over the first six months of 2009.

Despite organising its stimulus package early, in all other respects Europe remains a bit of a dawdler as governments took more time to react relative to other regions around the globe. There is a concern that Europe may struggle under a

number of headwinds in 2009, most important of which are much tighter financial conditions, a sharp downturn in export markets and a number of bursting asset bubbles in several key housing markets in the region. So far this year the DJ EURO STOXX 50 Index is down by 5.4%.

## Japan

While the Japanese economy is struggling to emerge from a multi-year period of low or negative growth, the local sharemarket has seen some modest signs of life and is up around 8% in the first six months of 2009 after reaching a low point in February. In early April, the Japanese government announced new stimulus measures worth around 2% of GDP, in addition to already approved measures of 2.4% of GDP. Given that the Japanese economy is still the second largest in the world, that's a very large chunk of change, but it will all be needed in order to re-stimulate domestic demand and get the ailing economy back on track. Unemployment at 5.2% is at a five year high, although that rate is still relatively modest when compared to Japan's peers.

## Emerging markets

There are signs that markets are beginning to price in an end to recessions and now even acknowledge that a period of growth may be underway in Asia (where industrial production has grown significantly over the three months ended May). Overall, Asia seems to have benefited from the early strengthening in Chinese growth that has propelled much of the region out of recession ahead of the other economic blocs. This is reflected in strong increases in regional sharemarkets already this year, albeit after falling heavily throughout 2008. For the six months to June 30, the Hang Seng Index is up 22%, India's S&P Nifty Index is up 41%, MSCI Taiwan is up 34% and the S&P BRIC 40 rose 39%.

## Commodities

The significant worldwide drop in demand that occurred as economies paused for breath last year had a major flow-on effect on commodity markets. However, despite being ravaged in the later half of 2008, commodities have been among the biggest beneficiaries of the emerging recovery in economies and markets this year. Production cuts and a surge in China's import demand appear to be the main drivers, although the recent lift in prices may have been exacerbated by China stockpiling resources at bargain prices.

Oil, in particular, lost considerable value throughout the last 12 months, reaching US\$34 a barrel in February 2009 from a high of US\$147 in July 2008. In the last six months Brent oil has risen to around US\$71 a barrel. The other relevant commodities, with the exception of natural gas, have all climbed since the beginning of this year but still have a long way to recover to reach the levels previously seen in 2008.

## Money Funds

The Money funds invest in the Deutsche Bank Dynamic Carry Index. This is an investment strategy where the asset class is made up of various major currencies. It buys the currencies of countries where interest rates are high (currently Australia and New Zealand) and sells the currencies of low interest rate countries (currently Japan, Switzerland and the US). The strategy has had disappointing performance since the outset and the income payments have not been possible for those holding income units. Performance has been hampered by negative results in previous years driving down the amount invested (the 'reference amount'). Small improvements in this fund during the last year have made for a welcome turning point and hold to maturity values now range between \$1.11 and \$1.14 across the funds. Regular reports on the strategy are available from Deutsche Bank on our website [www.liontamer.com](http://www.liontamer.com).

# AUSTRALIA SERIES 1

## Accessing a potential Australian sharemarket recovery



**Our latest fund, AUSTRALIA Series 1, provides you with two exciting investment options; the reassurance of capital protection at maturity, or the opportunity to accelerate your returns via a booster feature\*.**

### Australia, still the lucky country?

Like most economies, Australia has been significantly affected by the global downturn and the local sharemarket has in turn fallen dramatically – at the end of June 2009 the S&P/ASX 200 Index was down over 40% from its peak in 2007<sup>1</sup>.

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.

At Liontamer we believe there are two approaches to dealing with the current environment. Firstly, you may want to consider protecting your Australian equity exposure from any further market falls. Secondly, you may see an opportunity to get into the Australian market while share prices are trading at a discount to historical highs. AUSTRALIA Series 1 has been designed for both investor requirements.

### Liontamer Australia Index

AUSTRALIA Series 1 provides an exposure to the Australian sharemarket via the Liontamer Australia Index. This Index is made up of the largest 200 companies in the Australian sharemarket and covers approximately 78% of the market by capitalisation. As a mirror of the benchmark S&P/ASX 200 Index it includes a diverse range of Australian companies and provides a broad coverage of different industries and sectors including health care, media, banking, utilities, energy and resources.

### Capital protection or boosted returns?

For investors who believe the bounce will return to the market over the next five to six years, AUSTRALIA Series 1 provides two exciting, yet quite different, investment options. The first offers 100% capital protection at maturity and exposure to all the market gains (Protected Units)\*. The second option has no capital protection, but rewards investors with significantly boosted returns if the sharemarket grows in value (Unprotected Units).

This means that you have two simple choices of how to access a potential Australian sharemarket recovery; capital protection for those of you who place a high value on wealth preservation, or boosted exposure for those who have a positive medium-term outlook and are comfortable with the potential for capital loss.

For more information please read the AUSTRALIA Series 1 Investment Statement and talk to your financial adviser or investment broker.

### AUSTRALIA Series 1 at a glance

Name	AUSTRALIA Series 1
Issuer	Liontamer Investment Management Pty Limited
Protected Units	100% of the rise in the Liontamer Australia Index 100% capital protection* 6 year term
Unprotected Units	160% of the rise in the Liontamer Australia Index No capital protection 5 year term
Minimum investment	\$5,000 for each class of units
Entry Fee	3% (rebatable)
Liontamer Australia Index <sup>†</sup>	The largest 200 companies by market capitalisation in the Australian sharemarket
Closing date	7 August 2009

### The drivers of a potential recovery in the Australian sharemarket.

**Resources.** Australia's resource-based economy is well positioned to benefit from any lift in demand. Australia has massive natural reserves of essential energy inputs like coal and uranium. It is also a major producer of iron ore, copper, nickel, zinc and gold. Agricultural production includes wheat, barley, sugar cane and huge cattle and sheep industries.

**Economic stimulus.** Early on in the financial crisis the Australian government acted quickly to introduce measures intended to stimulate the economy. So far more than A\$50 billion has been targeted to build new infrastructure, create jobs and encourage consumer spending. The package will take time to take effect but is designed to stimulate growth over the medium term.

**Location.** Located on the doorstep of the fastest growing economies in Asia (India and China), Australia is ideally positioned geographically to fuel the factories and feed the workers of the world's 'factory floor'. Any pick-up in demand for resources from Asia (and the signs are already encouraging) would be a significant boost for the Australian economy.

**Monetary policy.** The Reserve Bank of Australia has lowered the cash lending rate to an all time low in a concerted effort to kick-start credit markets. This means that businesses are able to borrow to invest in new technologies, finance expansion and rollover debt cheaper than ever before. Consumers also have lower mortgage payments and more money to spend.

Full details are contained in the Investment Statement and registered Prospectus, provided by Liontamer Investment Management Pty Ltd (ABN 23 104 174 325). Copies are available upon request from Liontamer by calling 0800 210 451.

1. Source: Thompson Reuters, as at 30 June 2009. \*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%) and any exit fee. Capital protection only applies at maturity. There is a more detailed description of capital protection in the Investment Statement and the limited circumstances when capital protection may not be available. †Liontamer Australia Index: Initial Index levels are averaged monthly over the first six months for the Protected Units and over the first three months for the Unprotected Units. 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.