

WHY INVEST IN COMMODITIES?

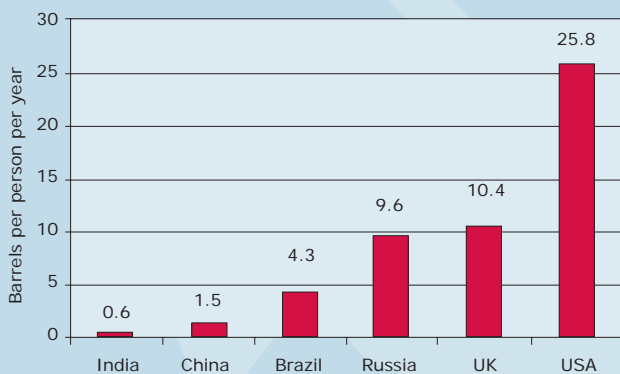
WHAT WILL DRIVE PRICES HIGHER?

1

INDUSTRIALISATION OF CHINA AND INDIA

China is currently building a city the size of Auckland every month. That's around 12 million people a year moving from rural areas to the cities by official estimates*. More up to date sources say this could be as high as 20 million a year. Imagine how much concrete, copper and nickel that involves! Figures like this put a real perspective on the sheer scale of China's growth. Wealth in China is also rising. For example, the number of people earning above 10,000 Renminbi (around NZ\$1,700) is expected to triple from 100 million to 294 million in the next 5 years**. The rapid growth of a new Chinese upper/middle class is a driving force behind commodity prices as the consumer goods they demand require the inputs of raw materials such as metals and oil in their production. The story isn't just limited to China either. With 1 billion Indians beginning down the path towards industrialisation, another enormous pocket of demand is following closely behind.

Oil consumption per person, still very low in China



Source: Barclays Capital (Jul 2004)

China is reported to be the second largest importer of oil in the world, but on a 'per person' basis, its consumption is very low compared to developed countries. As industrialisation of China and India continue, the potential demand could be enormous.

United Nations report:

"Chinese and Indian demand growth will provide a major dynamic stimulus to international commodity markets over the next several years. India is currently in a stage of industrialisation, China being somewhat ahead, where per capita commodity consumption would increase rapidly".

Source: UN report 'World Commodity Trends and Prospect' (Oct 2004)

*Source: www.chinagate.com.cn (Aug 2000), established by the Chinese Government and The World Bank

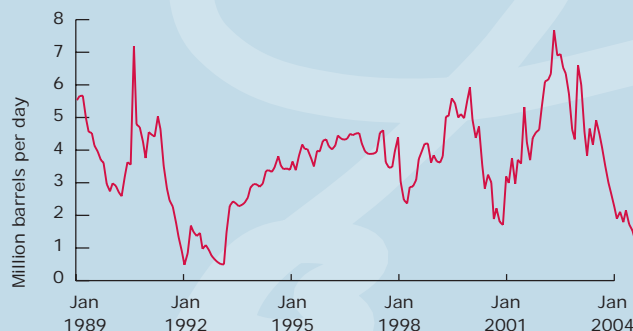
** Deutsche Bank Global Markets Research (Oct 2004)

2

THE SUPPLY BOTTLENECK

Commodities can't be produced overnight. To get a new mine up and running it can take 5-7 years. During the 1990's it's widely accepted that there was a sustained lack of investment into the facilities needed to produce commodities (mines, gas pipelines, new oil rigs etc). While demand is high, supply can't catch up quickly enough due to the time lag. This pressure on supply drives up prices. The current high oil price is a good example. The chart below shows the ability to produce extra oil within OPEC is nearing all time lows.

OPEC – Spare oil production capacity



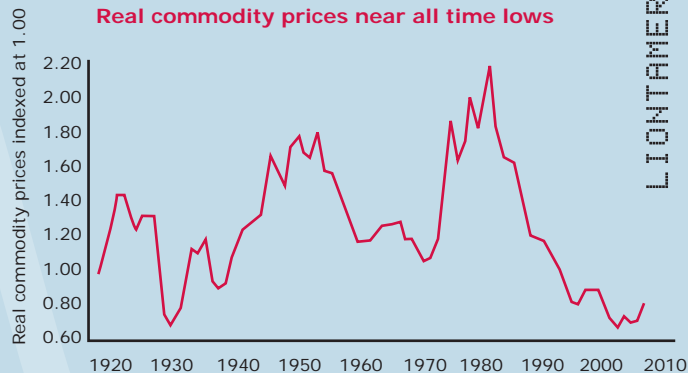
Source: Reuters, Energy Market Consultants, Barclays (2004)
Note: OPEC capacity minus production (inc. Iraq)

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IN 'REAL' TERMS, PRICES ARE CHEAP

While commodities have recently been rising in value, these prices were off extreme cyclical lows reached in 2001. 'Real' prices (adjusting for inflation) are still near all time lows compared with recent peaks in the mid 80's and mid 50's. While no one can be sure if prices will continue to rise, the Liontamer COMBI investment has the benefit of full capital protection*.

Real commodity prices near all time lows



Source: www.ditomassogroup.com; prices based at 1.00 in 1920

Note: basket consists of inflation adjusted prices of the 17 commodities comprising the CRB Index



combi series2

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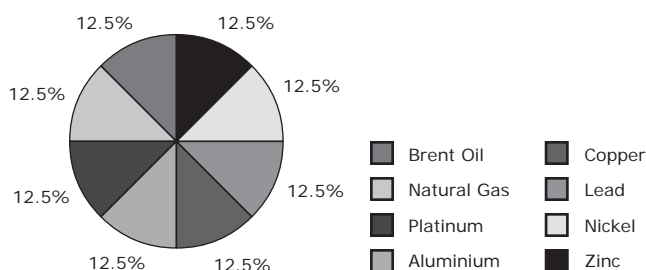
LIONTAMER COMMODITIES FUND

Accelerated growth and full capital protection at maturity*

If the prices of commodities rise over the term of this fund, you'll benefit by an even greater amount. That's because this fund provides you with 'accelerated' growth (at least 120% of the rise in prices). There is no maximum return, so the more the markets rise, the more the fund will benefit. Of course if prices fall, your capital is fully protected at maturity*.

What commodities are you investing into? As the chart below shows, your investment will be linked to a basket of commodities consisting of oil, gas, precious metal and base metals. The exact components and their weightings will be locked in at the beginning of the fixed term. We will include at least six of the eight commodities named below and there will be a minimum of 10% in each. Our aim is to include eight equally weighted portions (12.5% into each commodity).

Components of Liontamer COMBI series2



KEY FACTS IN BRIEF

- **Fund name:** COMBI series2 (COMBI stands for **Com**modities **B**asket **I**ndex)
- **Term:** 3.5 to 4 years (to be fixed on the investment date)
- **Minimum investment:** \$5,000
- **Commodities basket:** oil, gas, precious metal, base metals (see chart above)
- **Protection*:** fully capital protected at maturity (fund buys fully protected notes issued by Barclays; S&P AA rating)
- **Growth:** minimum of 120% of the growth in the basket of commodities. Aiming to lock in a greater level of accelerated upside if market conditions allow (the target is 150%).
- **Annual return:** 0.05% p.a. (\$2.50 per \$5,000 investment). This can be donated to the charity 'Cure Kids', on the application form
- **Early maturity feature:** if the fund experiences exceptional performance in the first two years and the market value reaches \$1.40 per unit, the fund will mature early and gains paid out (a fee may be payable)
- **Early exit:** this should be viewed as a hold-to-maturity investment. It is possible to withdraw early on a quarterly basis, however capital protection does not apply and an exit fee will be incurred
- **Currency:** New Zealand dollars (your capital is not exposed to currency fluctuations)

*Capital protection at maturity means you will receive back 100% of the amount invested, less the 3% entry fee (unless rebated) plus any net early bird interest earned during the offer period. **IMPORTANT NOTES:** This document is for information purposes only, full details are contained in the Investment Statement and Prospectus, which can be obtained from your financial adviser or Liontamer Investor Relations on 0800 210 450. Although Barclays Bank are legally liable to repay the investments owned by the trust and all returns on those investments, neither Barclays Bank or any other entity guarantee the repayment of units or any returns on the units, or accept any other liabilities to unitholders. Please be aware that capital protection only applies at maturity, or if the early maturity feature is triggered. It is intended that this investment is held for the full term and you should be prepared to tie up your money for a fixed period of between 3 ½ to 4 years. Should you withdraw early, you may get back less than you invested, as well as incurring an exit fee. Past performance is not necessarily a guide to future performance.

BENEFITS TO YOU...

Diversification and capital protection

Commodities help provide a wider spread of risk in your portfolio – this is known as 'diversification' and it's a benefit which has led major pension funds to invest. The Harvard Endowment Fund allocates approximately 13% to this asset class†. Commodities tend to move in the opposite direction to equities and bonds (negative correlation) and provide excellent protection from future inflation, but few investors have exposure to them in their portfolios. This is because commodities are very difficult to invest in directly. After all, do you have space in the garage for barrels of oil?

A capital protected fund is an excellent way of gaining this missing exposure and the protection offers a good buffer against volatile prices. In the past, investors have used the shares of companies which manufacture commodities to get some exposure to these markets, but they're often not as effective. There are two main reasons for this. First, these shares don't offer the benefit of negative correlation as they tend to move in the same direction as the sharemarkets (positive correlation). Second, share prices can be influenced by management decisions, mergers and takeovers. These factors are not always positive and are unrelated to the fortunes of the commodities they produce.

Summary of benefits

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|---|
| • Exposure to an asset class which is difficult to obtain |
| • A diversifier of risk – negative correlation with the sharemarket and bonds |
| • Shares in commodity related companies don't do the full job |
| • Enhanced risk/reward profile due to capital protection |

† Source: Harvard Endowment Annual Report 2003
 Note: The Harvard Endowment is a fund supporting Harvard University and is US\$22.6 billion in size (source: Boston Herald Sep 2004). By comparison, it dwarfs the NZ Super Fund which was a little over NZ\$4 billion (US\$2.7 billion) in size in August 2004.