

Summary

The Liontamer protected funds offer conservative investors the opportunity to access international markets with the safety net of capital protection. This latest product, available in October 2008, is a reflection of the tremendous growth in the development of alternatives to fossil fuels. Definitely file this one under 'socially responsible investments', but as well as being a 'green' product, the fund has a strong growth potential and, as with all Liontamer products, it has a fixed term and capital protection. There is no management fee but there are penalties for early redemption.

The objective of the Fund is to protect invested capital and provide a growth element based on the appreciation of an underlying index. Liontamer has created a basket of 15 international companies that are at the leading edge of renewable energy production. These 15 stocks comprise the Alternative Energy Index. Investment returns are calculated according to the percentage change in the level of the Index over the five and a half year term.

Each of the 15 firms has been screened, researched and evaluated to form the basket of stocks covering a range of energy sectors including wind, solar, geothermal, hydro and biomass. The companies have been chosen in conjunction with the funds management team of KBC Asset Management who run an actively managed open-ended portfolio (KBCAM and Liontamer are part of the KBC Group). Each of the companies has been screened and qualifies as a socially responsible investment. Expect Liontamer to focus on the area of SRI and sustainable investments in future products, as KBC is renowned as one of the global leaders in the field.

Current analysis from the Renewable Energy Policy Network, an international think-tank, shows that record amounts of investment in renewable energy production is taking place right across the globe. More than \$100 billion was spent in 2007 alone. But this is only scratching the surface and the true potential of the alternative energy sector, that Liontamer is tapping into, is demonstrated by the fact that alternative energy sources account for only 4% of the global total capacity.

Liontamer's booster unit system is now well established among those who have used these products before. This Fund has two unit types. The base units provide 100% protection of capital and 90% of the Index return. The Booster units provide 90% protection and 110% of the Index return. The expected return on each unit system is quite similar, so in many respects investors would be just as well off locking in the 100% capital protection as in taking the minor risk of only 90% protection.

This is a growth investment, so clients should not expect a meaningful income stream. An investment in such a product means you are benefiting from the growth of the underlying index without receiving the benefits of any dividends paid by the underlying shares. Currency exposure is hedged, so investors are not exposed to fluctuations in exchange rates.

At-A-Glance Guide

Investment profile:	International equities
Investment strategy:	Alt. Energy Index basket
Securities held:	Financial assets issued by KBC Bank (S&P AA- credit rating).
Benchmark:	Performance directly linked to the Alternative Energy Index
Term:	5 1/2 years*
Growth provided by:	Base units: 90% of Index Booster units: 110% of Index
Capital Protection:	100% (Base) ** 90% (Booster) **
Base currency:	NZ Dollar
Minimum Investment:	\$5,000
Entry Fees:	3% (rebatable in full or part)
Management Fees:	None
Other charges:	Built-in brokerage fee 2% Exit Fee 2%
Fund Status:	Closed-ended
Domicile/Structure:	Australian Unit Trust
Supervisory authority:	NZ Permanent Trustees
	* +/- six months

**subject to the investment held to term.

Advantages of the fund:

Security of invested capital
 Participation in the growth of a huge potential market
 Good return prospects for the level of risk

Disadvantages

Capital is tied up for five and a half years
 There are penalties for early redemption and no capital protection on early redemptions

Risks:

A negative return for the index over the term would result in a return of capital but no growth on the investment. Booster unit holders would get only 90% of their capital returned in this situation.

The sector has strong growth potential but this is not guaranteed to materialise over the term of the investment.

Bear in mind the volatility of this group of stocks is three times that of an average global blue chip company in the MSCI. Price earnings ratios are twice as expensive - 16 on the MSCI vs. 31 for the basket, but is countered by the forecast earnings growth at an impressive 35% vs 12% for the MSCI.

Tax:

The IRD has confirmed that investors in Liontamer funds can choose to apply either the Fair Dividend Rate or Comparative Value Method to their investments. The old rules still apply for those with less than \$50k invested.

Alternative Energy – market background

The Renewable Energy Policy Network's 2007 reports puts it quite succinctly: "Renewable energy offers our planet a chance to reduce carbon emissions, clean the air, and put our civilisation on a more sustainable footing. It also offers countries around the world the chance to improve their energy security and spur economic development." We are all becoming aware of the need for alternative sources of energy. Burning coal and depleting our increasingly expensive oil reserves will sooner or later drive us all to use alternative sources such as wind and solar power. At the same time, the Beijing Olympics have highlighted to the world just what unchecked carbon emissions are doing to our environment. Investing in new sources of energy is not a brand new idea. Nonetheless, perceptions lag behind the reality of renewable energy, because change has been so rapid in recent years. In constructing this latest fund, Liontamer has identified a sector with undoubted growth potential and one that investors can engage in with a social conscience too. As with previous funds, it has used its contacts and resources in terms of market analysis and specific stock research to construct a basket of shares as the basis for an index. The largest component of renewables generation capacity is wind power, which grew by 28% worldwide in 2007. The fastest growing energy technology in the world is grid-connected solar photo-voltaics (PV), with 50% annual increases in installed capacity in both 2006 and 2007. This translates into 1.5 million homes with rooftop solar PV feeding into the grid worldwide. Rooftop solar heat collectors provide hot water to nearly 50 million households worldwide. Production of biofuels (ethanol and biodiesel) exceeded an estimated 53 billion litres in 2007, up 43% from 2005. Ethanol production in 2007 represented about 4% of the 1,300 billion litres of gasoline consumed globally. Investors worldwide are now paying much greater attention to the renewable energy industry. This has translated into higher stock valuations and more aggressive industry expansion. By mid-2007, at least 140 publicly traded renewable energy companies worldwide (or renewable energy divisions of major companies) each had a market capitalisation greater than \$40 million. Altogether, clean-energy companies raised about \$10 billion in 2006 via public stock markets, almost double the 2005 amount. The issue is now regularly in the headlines and as pressure grows for more sustainable and environmentally less damaging forms of energy production, it will continue to grow and evolve rapidly. Beyond company valuations and an expanding list of announced projects and partnerships, one important consequence is an increase in jobs worldwide from renewable energy manufacturing, operations and maintenance.

Fund Manager Profile – Liontamer Investments

Liontamer funds are structured as Australian unit trusts. However, for the purposes of product marketing and distribution, Liontamer is a New Zealand-based company. Its key personnel are based in New Zealand, including Managing Director Laetitia Peterson, a Belgian investment banker with an MBA from Chicago and experience gained with Goldman Sachs in the US and UK. Before establishing Liontamer in 2003, she was responsible for developing the BNZ's successful capital protected product series. Investment director Janine Starks was heavily involved in structured products development for the UK adviser firm Chase de Vere before returning to NZ. The team has been bolstered in the last year by other specialists in the field of structured products and financial product marketing. This has culminated in the decision by Belgian bank KBC to take a majority stake in Liontamer, as both groups look to develop their business in Australia. The products themselves, with the involvement of names such as Barclays Bank, Deutsche Bank, Morgan Stanley, NZ Permanent Trustees, and NZ Guardian Trust are effectively endorsed by many of the established global investment companies.

About Global Fund Services

GFS is an investment consultancy based in Auckland. Its managing director is Richard Newell, a former director of a UK fund research house and fund of funds manager. Since moving to New Zealand with his family in 2000, Richard has worked as a consultant within the financial services industry, both in New Zealand and offshore. GFS carries out research on specific sectors of the global funds industry, particularly in Asia and the Pacific region. It also provides interested parties with the means to identify and access top quality investment funds. Through on-going monitoring work, they can remain fully apprised of specific fund manager strategies. You can access GFS factsheets on the Liontamer funds at: www.richardnewell.com

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