



EMERGE Series 2

The smart way to invest in emerging markets

EMERGE Series 2 provides exposure to a variety of countries that are preparing to become major players on the world's economic stage. Perhaps the two best known are China and India, who, along with Brazil and Russia, make up the BRIC nations, widely considered the leading up-and-comers in the global economy. However, there are many other important developing economies with significant investment potential, such as Mexico and South Africa, as well as countries in Southeast Asia, Eastern Europe and South America.

Smarter investing: while there's the potential of higher returns from emerging markets, it is important to remember they are often riskier and more volatile than larger, developed sharemarkets. EMERGE Series 2 has two great features designed to help manage risk and grow your savings:

CAPITAL PROTECTION

100% protection from market falls at maturity. Protection is provided by Barclays Bank.



SMART-EXPOSURE

0% to 200% exposure to a listed emerging markets index fund. This is adjusted daily, depending on how volatile the index returns are.

PROTECTED UNITS

- **100% CAPITAL PROTECTION** at maturity*. This means for each \$1 unit, \$1 is repaid at maturity
- **GROWTH:** equal to any positive rise in the Emerge Smart Index at maturity
- **EMERGE SMART INDEX:** this is linked to over 20 countries via a listed emerging markets index fund. The daily exposure to any movement in the listed index fund varies between 0-200% (Smart-Exposure)
- **TERM:** 6 years
- **MINIMUM INVESTMENT:** \$5,000
- **LIQUIDITY:** Monthly exits available
- **CURRENCY:** New Zealand dollar investment

emergeseries2



CAPITAL PROTECTION

One of the concerns that investors express to us is the risk of eroding their capital. For that reason alone, some feel they can't afford to invest in emerging markets, even though they'd love to access the potential returns which can be made. That's why we've designed EMERGE Series 2 to be 100% capital protected at maturity*.

Liontamer has selected leading UK banking institution, Barclays Bank PLC, to provide the financial instruments that form the underlying structure for EMERGE Series 2*. The units are 100% capital protected at maturity by Barclays Bank. Regardless of how the Emerge Smart Index performs, Barclays Bank is legally liable to repay 100% of the original value of the investments owned by the fund.

STANDARD & POOR'S CREDIT RATING

A credit rating is an indicator of a bank's financial strength and its ability to meet its obligations. A strong credit rating is important because it indicates a bank's ability to repay any capital protection it has promised plus the formula of returns. Barclays Bank currently has a long-term rating of AA- from well-known credit ratings agency Standard & Poor's.

SMART-EXPOSURE

Liontamer's innovative new Smart-Exposure feature aims to provide a more intelligent method of generating returns from emerging markets.

Stable daily returns



Exposure increases



When the markets are showing steady, more stable, daily movements, the Smart-Exposure strategy increases the extent to which our Emerge Smart Index tracks the listed emerging markets index fund. Exposure can be over 100%, boosting the daily movements.

Volatile daily returns



Exposure decreases



When the markets become very risky and returns are increasingly volatile, the strategy reduces the Emerge Smart Index's exposure to below 100%. At the extreme, we can even have no exposure at all (0%) until things stabilise. This happened during the recent credit crisis and prevented large losses (see chart over page).

0-200% exposure

The level of Smart-Exposure changes daily and can be between 0% (no exposure to the listed index fund) and 200% (double the exposure).

In order to fix the level each day, a simple formula is used. It measures the size of the absolute daily returns of the listed index fund for the previous 40 days (ignoring whether the movements are positive or negative). Larger returns are used as a signal that market volatility is rising and exposure is reduced.

*Capital protection at maturity 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. 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.

THE EMERGE SMART INDEX

The performance of the Emerge Smart Index is linked to more than 20 different emerging markets via a listed emerging markets index fund. The level of exposure to movements in this fund varies each day because the Emerge Smart Index employs our innovative new Smart-Exposure feature to manage volatility.

TOP 10 COUNTRIES

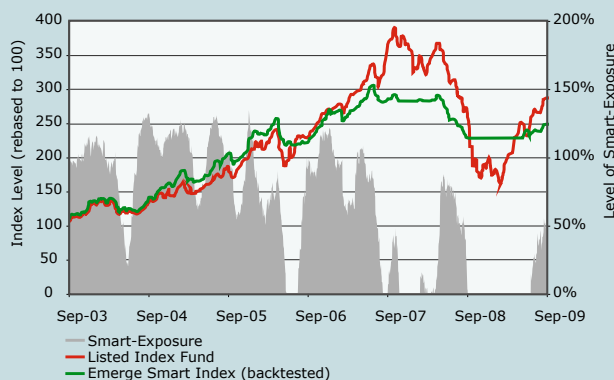
Country	Weighting
China	16%
Brazil	15%
South Korea	11%
Taiwan	11%
South Africa	9%
India	7%
Russia	6%
Mexico	5%
Israel	4%
Hong Kong	3%

Source: Barclays Global Investors 31 August 2009

Within these emerging market economies there is a wide spread of sectors, covering a broad range of industries. In fact, over 300 companies are typically represented in the Index including banks, energy and utility companies, commodity producers and technology providers. This diversified exposure contains both defensive stocks and companies that are expected to have high growth potential.

INDEX PAST PERFORMANCE

Back-tested performance: from September 2003 - 2009.



While it's important to remember that past performance should not be used as a guide to the future, we think it's interesting to consider how the Emerge Smart Index would have performed in opposing situations of stability and extreme volatility.

The chart above shows how the Emerge Smart Index (green line) has tracked the underlying listed index fund (red line) over the last six years. The grey shaded area shows the daily changes in the level of Smart-Exposure.

Performance: when returns have been fairly stable (e.g. September 2003 to August 2007) the tracking between the two was very close. In the past two years we have seen an unprecedented level of volatility in markets, which culminated in the credit crunch and world recession. In this situation, the effect of Smart-Exposure was to smooth out returns.

Large moves up then down: the latter half of 2007 saw a sharp upward move in markets with large daily movements. This frequently caused the level of Smart-Exposure to be reduced to zero. As can be seen, the gains were short lived and were followed by one of the largest falls ever seen in sharemarkets. At this time the Emerge Smart Index had its exposure to these movements reduced to zero, which protected it from a substantial decline.

PROTECTED UNITS EXAMPLE

EMERGE Series 2 Protected Units are 100% capital protected at maturity and provide full exposure to any growth in the Emerge Smart Index.

Emerge Smart Index up by 50% at maturity
\$1.00 unit grows to \$1.50



Emerge Smart Index down by 50% at maturity
100% capital protection



WHY EMERGING MARKETS?

Emerging markets can play an important role in an investment portfolio. Firstly, there are diversification benefits that may be gained from having an exposure away from local markets, and secondly, companies operating in rapidly developing markets tend to be more dynamic and faster growing than those in traditional developed markets. You can see in the table below that while these markets may be called 'emerging', many already have large, educated populations and rapidly growing economies.

Country	Population (millions)	Income per person (pa)	Human Development Index Rank ¹	GDP (billions)	GDP growth (pa%)
China	1,325	\$2,770	94	\$3,860	9.0%
India	1,139	\$1,070	132	\$1,217	7.1%
Brazil	191	\$7,350	70	\$1,612	5.1%
Russia	141	\$9,620	73	\$1,607	7.3%
Mexico	106	\$9,980	51	\$1,085	1.8%
South Korea	48	\$21,530	25	\$929	2.2%
South Africa	48	\$5,820	125	\$276	3.1%
Israel	7	\$24,700	24	\$199	4.2%
Hong Kong	7	\$31,420	22	\$215	2.4%
NZ	4	\$27,940	20	\$130	-1.6%
USA	304	\$47,580	15	\$14,204	1.1%
World	6,692	\$8,579	n/a	\$60,115	2.0%

Source: World Bank, 2008 World Development Indicators database (April 2009). All dollar figures are in USD terms. 1. United Nations. The Human Development Index (HDI) is a comparative measure of life expectancy, literacy, education and standards of living for countries worldwide (179 countries) used to determine if a country is under developed, developing or developed.

WHAT ELSE DO I NEED TO KNOW?

EARLY EXITS: this is a hold-to-maturity investment and the benefit of any applicable capital protection and the formula of returns only apply at the end of the term. However, early exits are available on a monthly basis at the discretion of Liontamer. The amount received will be based on the current value of the assets in the fund (this could be above or below \$1.00) less a 2% exit fee.

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.

ENTRY FEE: 3%, unless rebated by your financial adviser. This is a charge paid by you.

ANNUAL MANAGEMENT FEE: none.

EXIT FEE: a fee of 2% applies to early withdrawals before maturity and all repurchases.

CURRENCY: this is a New Zealand dollar investment.

ISSUE PRICE OF UNITS: \$1.00

CLOSING DATE: this is a limited offer; speak to your financial adviser about the closing date.

CONTACT DETAILS: financial advisers and brokers can contact Liontamer on 0800 210 450 or email adviser_relations@liontamer.com.

www.liontamer.com

IMPORTANT: This document is for information purposes only and is only a brief summary of the key facts. Full details are contained in the Investment Statement and Prospectus, which can be obtained from your financial adviser or Liontamer Investor Relations on 0800 210 451. #Barclays Bank PLC does not guarantee repayment of the investment amount or any returns on the investment nor do they accept any liability to investors. However, as the Fund Asset Provider, Barclays Bank PLC is legally liable to pay to Liontamer as trustee of the fund, the investment amount plus any returns for the Protected Units. October 2009.

