

## A flexible investment solution

The Macquarie Flexi 100 Trust (Macquarie Flexi 100) may provide an ideal solution for clients looking for a capital protected<sup>1</sup> investment that is simple and flexible. Macquarie Flexi 100 provides investors with the opportunity to borrow to invest in Australian, Asian and global infrastructure market positions. Clients who choose the protection of a limited recourse investment loan have the flexibility to “walk away” from their investment without incurring any break costs.

### Potential investor benefits

- **Access to investment opportunities with growth potential.** Investors have the option to invest with 100% exposure to one or more of the following reference assets:
  - > S&P/ASX 200
  - > MQ Asia Long Short Fund
  - > Macquarie Global Infrastructure 100 Index
  - > Asian equity basket
- **Flexibility to ‘walk-away’** from the investment and investment loan without incurring additional costs, including break costs.<sup>2</sup>
- Ability to receive the **benefit of any positive index or fund performance** for each year, for Classes M – P (subject to a performance cap).
- **100% gearing** enabling investors (including SMSFs<sup>3</sup>) to invest with a low initial capital outlay and no margin calls.
- **Protection of a limited recourse loan.** Investors will not be required to contribute more of their own money to pay back the investment loan.
- **Cash flow advantages** of fixed distributions (for Class H – L) and potential distributions (for Classes M – P).<sup>4</sup>

### Flexibility to ‘walk-away’

- While Macquarie Flexi 100 is designed to be held to maturity, investors choosing the limited recourse investment loan may be able to redeem quarterly from the investment without incurring any investment loan break costs or being exposed to any shortfall between the value of their investment and their investment loan balance.
- Please note that investors choosing the full recourse investment loan option may be required to contribute their own money in the event that Macquarie Bank Limited, which is a counterparty to a collateral agreement, fails to meet its obligations. An investor would be required to meet any shortfall between the value of their units and the amount outstanding on their loan from their own funds.

### Making an application is quick and easy

Investors simply need to fill in one form to apply for their investment and loan without the need to provide additional financial information (unless they are also applying for an optional interest loan). Before investing in Macquarie Flexi 100 it is important that investors read and understand the terms and investment risks set out in the PDS.

1 Capital protection is not guaranteed and is subject to the ability of the collateral counterparty, Macquarie Bank Limited, to meet its obligations under the collateral agreement.

2 Note that prepaid interest on an investment loan will not be refunded. Investors will be required to pay any amount owing on their interest loan (if applicable). If investors choose to borrow using the full recourse investment loan option, they may be required to contribute their own money to repay the investment loan in the event that Macquarie Bank Limited, which is a counterparty to a collateral agreement, fails to meet its obligations. An investor would be required to meet any shortfall between the value of their units and the amount outstanding on their loan.

3 Trustees of superannuation funds who propose to invest in Macquarie Flexi 100 should be aware of their obligations to formulate and implement an appropriate investment strategy that has regard to the whole of the circumstances of their fund and to act in the best interests of the members of the fund.

4 Interest payments under the investor's loans will be set off against any distributions an investor is entitled to receive from their investment. If the interest payments exceed the distributions of an investor, no cash payment will actually be received by the investor.

## Investment options

Investors have nine different investment options known as Unit Classes H – P.

	FIXED DISTRIBUTION CLASSES	VARIABLE DISTRIBUTION CLASSES
<b>Investment menu</b>	<b>Class H:</b> S&P/ASX 200 <b>Class I:</b> MQ Asia Long Short Fund <b>Class J:</b> Asian Equity <b>Class K:</b> Global Infrastructure <b>Class L:</b> MQ Asia Long Short Fund 3.5 year	<b>Class M:</b> S&P/ASX 200 <b>Class N:</b> MQ Asia Long Short Fund <b>Class O:</b> Asian Equity <b>Class P:</b> Global Infrastructure
<b>Term<sup>5</sup></b>	<b>Classes H – K:</b> 5.5 years <b>Class L:</b> 3.5 years	3 years
<b>Walk away</b>	Available quarterly	Available quarterly
<b>Annual distributions</b>	<b>Classes H, I, J, and K:</b> Fixed annual distribution of 4% of the investment amount (payable in arrears). <sup>6</sup>  <b>Class L:</b> Fixed annual distribution of 6.5% of the investment amount for years 1 and 2 and 3.25% for year 3 (payable in arrears). <sup>6</sup>	Investors may be entitled to an annual distribution based on the positive performance (if any) of the underlying reference asset during that year, up to a performance cap. This distribution (if any) is payable at the end of years one, two and three. <sup>7</sup>
<b>At maturity</b>	<b>Classes H, I, J and K:</b> Fixed distribution of 2% plus any gain on the performance of the underlying reference asset above a set hurdle and within a set performance cap.  <b>Class L:</b> Any gain of the underlying reference asset above a set hurdle.  Note the set hurdle is equivalent to the total annual fixed distribution payments paid throughout the term.	Investors will receive any distribution payable at the end of year three (as above).

## Who may be interested in this investment?

The investment may be suitable to investors for a number of reasons, including if the investor is looking:

- To gain medium term exposure to Australian, Asian or global infrastructure market positions.
- For the cash flow advantages of a fixed annual distribution (for Classes H – L) and a potential annual distribution throughout the term (for Class M – P).
- To invest with the flexibility of being able to 'walk away' quarterly from the investment and investment loan without incurring additional costs if the limited recourse loan is selected.<sup>8</sup>
- To invest using their SMSF.

## Borrowing to invest

In order to apply for units, investors must also apply for a 100% investment loan from Macquarie. There is a choice of a limited recourse or full recourse loan available.

Investors are required to pay interest on their investment loan annually-in-advance throughout the term of the investment.

The indicative loan interest rates for the year ending 29 June 2011 are shown in the table below (these rates will not increase throughout the term).

### Indicative loan interest rates

Loan type	Indicative interest rate <sup>9</sup>
Limited Recourse Investment Loan	9.10% pa
Full Recourse Investment Loan	8.85% pa

- **SMSFs**  
The limited recourse loan will comply with the SIS legislative requirements for SMSF borrowing meaning Macquarie Flexi 100 can be used by SMSF investors. With the potential for income payments each year this may be an attractive investment option.
- **Optional interest loan**  
To help manage cashflow, investors can apply for an optional interest loan to fund their interest pre-payment. The indicative rate for the interest loan is 10.95% pa for the period 30 June 2010 to 29 June 2011. An interest loan is not available to SMSF investors.

<sup>5</sup> Subject to early termination.

<sup>6</sup> Investors will not receive this distribution if they 'walk-away' during or at the end of each year.

<sup>7</sup> Investors will not receive this distribution if they 'walk-away' during each year.

<sup>8</sup> Note that prepaid interest on an investment loan will not be refunded. Investors will be required to pay any amount owing on their interest loan (if applicable).

<sup>9</sup> The actual interest rates will be determined by the loan provider on or around 25 June 2010 and published at [www.macquarie.com.au/flexi](http://www.macquarie.com.au/flexi).

## Investment returns

### Class H – worked example

An investor invests in class H of the Macquarie Flexi 100 Trust with the S&P / ASX 200 as their reference asset and holds their Macquarie Flexi 100 investment to maturity (5.5 years).

#### Assumptions

- Investor borrows \$100,000 to invest
- Fixed hurdle of 122%. Fixed cap of 100% (indicative only)<sup>10</sup>
- S&P/ASX 200 start level of 4,850
- S&P/ASX 200 level at maturity of 9,750
- S&P/ASX 200 hurdle level of 5,917 (4,850 x 122%)
- S&P/ASX 200 level capped at 9,700 (4,850 + 4,850 x 100%)

### Potential returns

<b>Total distribution payments received over the term</b>	\$22,000	\$100,000 x (4% x 5 + 2%)
<b>Gain on underlying reference asset (S&amp;P/ASX 200)</b>	\$78,000	Gain on S&P/ASX 200 (9,700 – 5,917)/4,850  Multiplied by investment amount of \$100,000
<b>Total received over the term of the investment<sup>11</sup></b>	\$100,000	Distributions paid plus gain at maturity

### Class O – worked example

An investor invests in class O of the Macquarie Flexi 100 Trust with the Asian Equity basket as the reference asset. The investor holds their Macquarie Flexi 100 investment to maturity (3 years).

#### Assumptions

- Investor borrows \$100,000 to invest
- Fixed cap of 17% p.a. (indicative only)<sup>10</sup>
- AUD:USD exchange rate at start is 0.85
- **Year 1**
  - > Asian Equity basket start level of 100
  - > Asian Equity basket end level of 120
  - > AUD:USD exchange rate at end Year 1 is 0.90
- **Year 2**
  - > Asian Equity basket start level of 120
  - > Asian Equity basket end level of 135
  - > AUD:USD exchange rate at end Year 2 is 0.85
- **Year 3**
  - > Asian Equity basket start level of 135
  - > Asian Equity basket end level of 130
  - > AUD:USD exchange rate at end Year 3 is 0.80

### Potential returns

<b>Year 1 distribution</b>	\$16,056	\$100,000 x (117 – 100)/100 x 0.85/0.90
<b>Year 2 distribution</b>	\$13,235	\$100,000 x (135 – 120)/120 x 0.90/0.85
<b>Year 3 distribution</b>	\$0	Basket has fallen over the period, therefore no distribution.
<b>Total received over the term of the investment<sup>11</sup></b>	\$29,291	Distributions paid

<sup>10</sup> The actual performance caps will be determined as at the Swap Start Date and published at [www.macquarie.com.au/flexi](http://www.macquarie.com.au/flexi) and could be lower than the indicative performance cap depending on market conditions at the time, in particular the level and volatility of the reference index.

<sup>11</sup> Not including costs of gearing.

## Risks

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Some key risks of an investment in Macquarie Flexi 100 include:

- **Reference asset risk:** the risk that the reference asset relevant to each unit class does not perform well, including as a result of recent increased equity market uncertainty and the global economic downturn. Recent high levels of volatility in equity markets increase this risk.
- **Borrowing to invest:** there is a material risk that the total value of your returns at maturity (if any) and distributions paid throughout the term will be less than your total interest payments and other costs. If this occurs you will have lost money on your investment at maturity.
- **Counterparty risk:** the value of your investment depends on the ability of the relevant counterparties (including the hedge counterparty, swap counterparty and the collateral counterparty, amongst others) to perform their obligations.
- **Early termination risk:** Exposure to the reference asset may be terminated early by the swap counterparty in a number of circumstances, including as a result of a material change in hedging costs or in its ability to hedge its exposure (especially in relation to variable distribution classes).
- **Foreign exchange risk:** USD:AUD foreign exchange rate movements will affect the value of USD classes throughout the term and at maturity.
- **Interest deductability:** the ATO may adopt a position leading to the denial of part or all of your tax deductions for some or all of your interest expenses in relation to your investment.

Applications close 30 June 2010

### IMPORTANT INFORMATION

This information has been prepared by Macquarie Financial Products Management Limited ABN 38 095 135 644, AFSL 237847 (MFPML), the responsible entity of, and issuer of units in, the Macquarie Flexi 100 Trust and is current as at 1 April 2010. This information only applies to Class H, I, J, K, L, M, N, O and P units in the Macquarie Flexi 100 Trust. An invitation to apply for the Macquarie Flexi 100 Trust is made in a Product Disclosure Statement dated 18 March 2010 (PDS). The PDS is available by phoning 1800 080 033.

In deciding whether to acquire, or continue to hold, an interest in the Macquarie Flexi 100 Trust, investors should obtain the PDS and consider its contents. We recommend investors obtain financial, legal and taxation advice before making any financial investment decision.

The loans are offered by Macquarie Bank Limited ABN 46 008 583 542 (unless otherwise determined by MFPML to be another Macquarie Group company, in which case it will be that Macquarie Group company) and are subject to approval.

Investments in the Macquarie Flexi 100 Trust are not deposits with, or other liabilities of, Macquarie Bank Limited ABN 46 008 583 542, MFPML or of any Macquarie Group company, and are subject to investment risk, including possible delays in repayment and loss of income or capital invested. None of Macquarie Bank Limited, MFPML or other member companies of the Macquarie Group of companies guarantees any particular rate of return, the performance of, or the repayment of capital from the Macquarie Flexi 100 Trust.

For more information speak to your financial adviser or contact Macquarie Structured and Specialist Investments.



1800 080 033



[www.macquarie.com.au/flexi](http://www.macquarie.com.au/flexi)